

MARKET ORIENTATION  
DEVELOPMENT IN FAMILY OWNED  
SMALL AND MEDIUM ENTERPRISES:  
Case study of a family owned electrical  
company

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# Abstract

This research examined the nature of Market Orientation and analysed the extent of Market Orientation development in family owned small and medium sized enterprises. The causes and means that may be instrumental in developing a Market Orientation were also evaluated using a case study approach. A paucity of knowledge was identified in this area of researching Market Orientation in family owned SMEs especially with a qualitative methodology.

The lack of research and need for balancing the importance of the disciplinary foundation of marketing with consideration to constraints of small business by adapting the implementation process of small business marketing was highlighted in the literature review. Accordingly a balanced approach was adopted of considering the Market Orientation concept as universal in principle whilst adapting it to the unique characteristics of family owned small and medium sized enterprises by emphasising some differences in the extent of Market Orientation and in the process of Market Orientation development. Accordingly the Researcher built an integrated conceptual framework using the SME stages model as a starting point and superimposing the effect of family ownership to focus on the process of Market Orientation adoption. This contributed effectively to the theory building in this field. The main factors identified and tested as likely to be influencing Market Orientation development in family owned SME units included the limited understanding of professional Marketing in the SME based on the size and stage of development, the family owners' influence, organisational inertia and reluctance to change, the management style of the owners/managers.

The methodology used was of participant observation within a case study approach. Other data collection techniques including qualitative in-depth semi-structured interviews, documents and reports were used to supplement the observations and strengthen the subsequent analysis. In order to evaluate the extent of Market Orientation developed in the case study company the indicators provided by Hooley et al (1990) and Kohli et al (1993) were referred to. The key elements of Market Orientation considered were market intelligence collection/dissemination/response, customer focus, competitor focus, inter-functional coordination and attitudes of staff and management influencing the above responses.

The Researcher played an initiating role in some of the activities undertaken to adopt Market Orientation by the business units and was closely involved in their implementation which helped more to gain valuable insights in the critical examination and identification of causes and barriers. This provided a unique dimension to the contributions made by this study. The analysis reported in this thesis includes ethical considerations and ways devised to overcome any dilemma resulting from the dual role of being the researcher and also being employed to undertake the initiatives that were likely to enable Market Orientation development.

The following key theoretical insights were derived from the study. The role of external consultancy and internal champions in responding to the influence and management style of the SME's family owner was highlighted. Secondly it was found that the family culture with an inherent reluctance to change could not be fully overcome or sidelined. However a new solution was developed in terms of role of succession planning to manage the impact of the family culture for sustainable Market Orientation development. Thirdly internal marketing was reiterated as vital to obtain support for Market Orientation Development.

# 1. Introduction

This research project helped to test the applicability of Market Orientation concepts in the context of family owned SMEs. The universal nature of Market Orientation was verified and the study revealed the likely limitations and alterations to enable Market Orientation adoption. The overall aims of this project were as follows:

## 1.1 Aims

The overall aims of this project were as follows:

- Investigate the nature of Market Orientation in the context of family owned SMEs
- Analyse the extent to which family owned SMEs adopt Market Orientation.
- Evaluate the causes and means that may be instrumental in developing a Market Orientation

## 1.2 Justification

In the literature review provided in chapter 2 only limited work regarding development of conceptual theories for applying Market Orientation concepts in the family owned small business environment was found.

The nature of Market Orientation as described from the cultural and market intelligence perspectives by Narver and Slater (1990) and Kohli and Jaworski (1990) respectively as well as other researchers was studied. The work of Gray and Hooley (2002) described Market Orientation as a useful amalgamation of the key features of these perspectives and all this provided a good starting point for this research. In SME literature, Siu(2000), Denison and McDonald (1995) determined the importance of the universally applicable concept of Market Orientation in business growth and performance but not much research focussed on nature and implementation of Market Orientation and causes and behaviours impacting this. Also with respect to family ownership, a gap was identified in terms of analysing the nature and extent of Market Orientation in family owned SMEs. The focus of the existing family business research was found to be more on the importance of family firms (Hoy 2003; Westhead et al., 2002) or succession issues (Chua et al 2003).

It was concluded in the review that whilst considering the Market Orientation concept as generally universal it was necessary to adapt it to reflect unique characteristics of family owned small and medium sized enterprises by emphasizing some differences in the extent of adoption of Market Orientation and the process of adoption of Market Orientation. The importance of internal culture and functioning of the organization was highlighted along with the role of external forces in the process Market Orientation adoption within family owned SMEs. A suitable framework was developed by the researcher by mapping the effect of the family owner/manager in terms of personality, decision making, management style and the internal structural constraints of small businesses on to the SME stages model thus overcoming its shortcomings (Carson 1990, 1985; Churchill and Lewis 1993; Morris and Paul 1987; Carson and Chromie 1989; Scase and Goffee 1980). Key factors or causes and means likely to impact this process were also included in the final framework created as shown in Fig 2.5. Also a need was identified for rigorously testing these by practically applying the framework which was hitherto lacking even though researchers such as Carson and Cromie (1989) discussed the importance of management style and culture of the firm.

Becherer et al (2001) tested Market Orientation in the SME environment to some extent but stated that quantitative methods used were a drawback and recommended further longitudinal studies to provide a better understanding of the nature of Market Orientation as well as exploring relationships to internal cultural characteristics and characteristics of the owner. Also Siu and Kirby (1998) suggested use of qualitative research using in-depth personal interviews and case study particularly for examining the implementation process in the complex and dynamic environment of SMEs. Accordingly the methodology adopted was of participant observation within a case study approach where the researcher had the unique opportunity of actively participating in initiatives undertaken to change attitudes and behaviours of management and staff for implementing Market Orientation. Further reasoning of the choice of the methodology is included in the chapter 3.

### 1.3 Workflow

As explained in chapter 4 the context of the research was established based on the information available regarding the case study SME units including company history, product and customer details, market conditions and internal functioning. As part of a Knowledge Transfer partnership with the university, the Researcher was employed within

the company as Market Development Manager. Early impressions were formulated from June 2005 when employment began at the company till October 2005 when the period of study particularly for this research began. These were included in the context chapter. A timeline of events during the research project is included in the final chapter.

The fieldwork began with participation in organizational attempts to adopt Market Orientation along with an open minded observation of the nature and extent of resulting Market Orientation developing in the firm. The researcher played a major role in the implementation process thereafter as part of the job, in activities undertaken such as rebranding, planning, improved communication through newsletters, developing websites, training for customer acquisition campaigns using business link grants and in encouraging companywide adoption of these strategies to differentiate from competition. Some of these were also measures that appeared in the literature on the subject which helped to test and confirm some of the literature reviewed. Secondary sources of information such as company reports, meeting minutes, emails and internal documents provided valuable data for deriving conclusions. Also qualitative in-depth semi-structured interviews within the case study were used to examine the attitudes and behaviours within the family owned SME units and to record the process of change over the thirty six month period of the project through this method. Indicators based on research of Hooley et al (1990) were used in trying to assess success of the firm in adopting Market Orientation and the extent of the adoption over the next two years of the project. The Researcher played an initiating role in some of the activities undertaken to adopt Market Orientation by the business units and was closely involved in their implementation which helped further to gain valuable insights either supporting the critical examination of the literature or enabling identification of causes and barriers.

As detailed in chapter 5 in the first six months initial observations were conducted to explore the environment of family owned SMEs and to investigate the characteristics of family owned SMEs. These were related to the theoretical framework to investigate the nature and extent of Market Orientation in the case study family owned SME units at the start of the project. Accordingly the following parameters formed the basis of this assessment of the existing nature and extent of Market Orientation in the case study company.

- Market intelligence collection/dissemination/response

- Customer focus
- Competitor focus
- Inter-functional coordination vis-à-vis process/systems/communication
- Attitudes of staff and management influencing the above behaviours

During the next twenty four months, the Associate was involved in the measures undertaken by the company in an attempt to develop Market Orientation. These were observed alongside interviews of staff members conducted to assess the causes and means that may be instrumental in developing Market Orientation. Causes and Barriers were identified and compared with relevant literature. The following process has been followed to analyse the data from this period.

- Recording important events that can be used to identify major factors and track likely causes and barriers of Marketing Orientation.
- Comparing observations to notes from the literature review and framework developed whilst determining the relevance of events, reactions, people etc. during the data analysis process in order to establish causes and means that dominate the process of enabling or barring the company from becoming Market Orientated and to establish extent of Market Orientation
- Focusing on key factors that shape the research and utilising them to conclude with theoretical insights that may add a new dimension to the existing literature.

The key events considered were as follows.

*Branding Exercise at ABC:* The elements under focus were extent of involvement from the top, acceptance of changes to the brand, importance or lack thereof attached to the brand, effect on planning, the continuity of brand with expansion into new divisions and not least the thought process of owner/manager and personal emotions attached to company identity.

*Essentials campaign and Telemarketing undertaken to support this campaign:* The areas covered included target customer segments, interaction between sales and marketing, successful differentiation, role of marketing and value provided by a marketing perspective

acknowledged within promotions and campaigns, ability to successfully implement these aspects company wide and with in-house resources. This will be expanded to highlight the changes to service provided to customers in terms of developing niche services that were in demand and changing the delivery of those services and marketing of those services.

*Planning and Monitoring processes:* Processes undertaken by the company in order to improve Market Orientation including business plans, branch level accountability, diversified focus beyond sales figures into product groups, customer segments and mid to long term opportunities were analysed.

*Changes to the internal communication and team structure within the company:* Based on the literature review such as Kohli and Jaworski (1990), it was deemed important by the Researcher to monitor structural change such as the 'one team' initiative which was a management restructuring initiative undertaken by the Managing Director (MD), the appointment of new sales Director who was not a family member or family loyalist but an outsider and the ongoing staff turnover. It was also considered important to focus upon measures undertaken to improve staff performance. The details of recruitment and dismissals, choice between rewarding loyalty or performance and ability to delegate to staff.

In the final six months of the project until October 2008 it was attempted to analyse the extent to which the case study company units successfully adopted Market Orientation. The analysis was carried out using Hooley's Model. In order to assess the extent of Market Orientation adoption, the following factors were considered. These were developed based on constructs of Hooley et al. (1990).

- Company Attitude to Marketing:
  - Organisation of the marketing effort (Is marketing adopted as a philosophy across the company?)
  - Degree to which marketing works with other main functional departments in the organisation (Whether sophisticated organisational structures are in place for interfunctional coordination)
  - The company's approach to new products development.

- Importance attached to marketing training by the company
- Role and Scope of Marketing:
  - Marketing execution whether it was limited to advertising, promotion, market research or also extended to pricing, product design, customer service, distribution,
  - Role of marketing in the company's strategic planning
  - Extent of formal marketing planning in the company
  - Representation of marketing at board level

## 1.4 Key Results found in the research

The results were summarised and conclusions derived in chapter 6. Initial empirical assessment indicated that the company was in the reactive stage and that the new MD who was the second generation family owner was very entrepreneurial. During the project significant transition was observed and the owners/Directors were found to become partially Market Oriented and partially to have a 'Tinkering' approach. A completed framework based on the stages model was derived from these empirical results.. Some business units in the company also showed even greater Market Orientation. The main factors likely to be barriers to Market Orientation in the family owned SME units had been identified in the literature review as follows and their impact was verified and tested during the field work.

- Limited understanding of professional Marketing in the SME based on the size and stage of development,
- The family owners' influence,
- Reluctance to change/organisational inertia and
- The management style of the family owner and directors in the SME.

It was attempted to develop theoretical insights regarding solutions for key causes and means that shaped the research vis-à-vis the aims.

- Firstly the role of external consultancy and internal champions was confirmed to be very important in responding to the influence and management style of the SME's family owner to enable Market Orientation adoption.
- Secondly it was recognised that the family culture with an inherent reluctance to change could be managed using opportunities provided during succession to develop suitable implementation process for Market Orientation but it could not be totally overcome or sidelined.
- Thirdly the implementation process was suitably adapted to fit the family owned SME environment and importance of internal marketing in this to overcome the negative perception of Market Orientation as a largely theoretical concept with limited relevance to day-to-day business was revealed.

Limitations, ethical considerations and reflections are summarised in this final chapter regarding methods and processes followed. The limitation in ability to generalise commonly cited with respect to the case study approach was overcome by using a multi site organisation and by making observations on Market Orientation development at individual SME units. These subjects are debated further in the final chapter along with in depth description of the conflicts and their impact upon the research as acceptable limiting factors. Similarly limitations of the qualitative method are also explored and here it may be reiterated that in the field of management, learning is more experiential. This is because unlike in scientific static experiment where there are fixed assumptions, in management there are very many variables and there is usually not one single correct answer. There can be several ways to respond to a dynamic business situation. So in fact it is not only important to develop a theory regarding the nature and extent of Market Orientation in this context but to also demonstrate how it was applied, solutions used and results obtained. This case study demonstrates exactly that and this case study is also interesting because of the unique situation where the Researcher was also entrusted with the task of developing Market Orientation in family owned SME units so that these initiatives advised in the literature were compared with all the activities that were followed in the company. Thus it was possible to provide detailed analysis of the implementation process as well as the extent of possible Market Orientation development suitable for family owned SMEs.

## 2. Literature Review and Conceptual Framework

### 2.1 Introduction

This literature review was undertaken to investigate key theories and hypothesis relevant to the aims of the research. The researcher adopted an approach of first examining major work already carried out in defining Market Orientation. This was followed by identification of indicators that determine the extent of Market Orientation in family owned small businesses based on similar work by others. A considerable in depth exploration of family owned small and medium enterprises (SMEs) marketing was also undertaken.

Very limited theory exists explicitly on the subject of Market Orientation within SMEs environment. Therefore the theories of leading researchers such as Carson, Storey and others on SMEs and activities related to marketing within SMEs were examined to determine how SMEs adopted Marketing Orientation and the likely causes and barriers to the application of Marketing Orientation. Finally literature regarding family ownership was extensively researched in order to understand how other authors approached the potential conflict between Family Focus versus Customer Focus in family owned SMEs. The literature review and approach adopted provided an insight into the aims of this research. The researcher then developed a conceptual framework based on the above work as described in the next chapter.

### 2.2 Definitions of Market Orientation

Over the last two decades there has been considerable attention given to researching Market Orientation. The most prominent researchers whose work is commonly accepted and used and is relevant to this research include the market intelligence focus by Kohli and Jaworski (1990), the cultural perspective of Narver and Slater (1990) and customer focus emphasised by Deshpande, Farley and Webster (1993), Hooley et al., (1990) and Harris (1998). Although they do not all exactly contradict each other in their definitions, there are significant differences which are further explored. Such an exploration followed by investigation of current marketing practices prevalent in family owned SMEs will help to determine the most relevant aspects of Market Orientation for the chosen environment i.e. in units of family owned SMEs. .

## 2.2.1 The Market Intelligence Perspective

Kohli and Jaworski (1990) defined Market Orientation as the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and the organisation-wide responsiveness to it. The scope in this definition of intelligence generation is wider than the consumer's verbalised needs as it includes the analysis of external factors which influence consumer's current and future needs. This definition clearly distinguishes the Market Orientation concept from just being customer-led as viewed by Narver and Slater (1999) since future needs are taken into account. Intelligence dissemination is a dynamic two way communication process and responsiveness refers to the ability of the organisation to react to generated and disseminated information in terms of 'response design' and 'response implementation'. Researchers such as Shapiro (1988) focused on decision making based on intelligence while defining Market Orientation in stating that the three characteristics that make a company Market Oriented were:

- Information on all important buying influences permeates every corporate function extending well beyond the market research, sales and marketing functions
- Strategic and Tactical decisions are made inter-functionally and inter-divisionally as functions will inevitably have conflicting objectives that mirror distinctions in cultures and in modes of operation.
- The well coordinated decisions made by divisions and functions are executed with a sense of commitment.

Shapiro (1988) thus conceptualised Market Orientation as an organisational decision-making process. At the heart of this process is a strong commitment by management to share information inter-departmentally and practice open decision making between functional and divisional personnel. According to his theory, the term Market Oriented represents a set of processes touching all aspects of the company.

Critical examination of this perspective suggested that while market intelligence generation and dissemination were discussed in depth there has been a lesser focus on execution and responsiveness. It may be argued that the real focus of Market Orientation must lie principally upon the responsiveness in terms of design and implementation rather than

more upon intelligence collection. Secondly the case study detailed by Shapiro (1988) evidently described a large organisation with several different department heads such as Manufacturing, R&D, Sales, Finance and Marketing and examined Market Orientation in the context of a large company. According to his approach, it remained to be seen whether small and medium sized firms also necessarily had the resources to invest in continuous generation of market intelligence. Sinkula (1994) stated that in young, small organisations, market research may be sporadic and ad-hoc, conducted or supervised by individuals who have no experience in this field leading to the conclusion that this practice needs to be changed in order for such firms to become Market Oriented or in the case of small businesses which remain successful despite such practices that market intelligence generation was not the most important aspect of Market Orientation as some researchers claimed. Moreover for small businesses that operate in a niche market where the changes in customer needs and the market environment may not be as rapid and as dynamic this definition becomes less relevant. Similarly with fewer staff and fewer internal processes, dissemination of intelligence may not be as great a challenge as for instance convincing staff of the need to be customer focused or convincing the owner of the need to spend time on Market Orientation while handling the day to day problems of the business.

Given that the focus on market intelligence and decision making based on this intelligence may not be the most relevant perspective of Market Orientation, it was considered valuable by the researcher to examine alternative definitions of Market Orientation with a different focus. The theory of Narver and Slater (1990) was considered appropriate to obtain greater focus on the organisational culture influencing Market Orientation.

### 2.2.2 Culturally based perspective

Market Orientation is the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus continues superior performance for the business according to Narver and Slater (1990). This model presented Market Orientation as a five fold construct focussed on customer orientation, competitor orientation, inter-functional coordination, long term focus and profitability. Thus initially Market Orientation was perceived as a one dimensional construct consisting of three behavioural components and two decision criteria namely long term focus and profits objective. Later the two decision criteria were omitted from the definition due to lack of sufficient corroborative evidence from their subsequent research work (Narver and

Slater 1995). They also affirmed that Market Oriented businesses are committed to understanding both the expressed and latent needs of customers. According to them, new customers (un-served markets) and new products are the catalyst for organisational renewal in the Market Oriented business.

#### **2.2.2.1 Customer Orientation**

This element of the Narver and Slater (1990) definition is supported to an extent by the research of Deshpande et al., (1993) according to which customer orientation is the set of beliefs that put the customer's interests first, while not excluding those of all other stakeholders such as owners, managers and employees in order to develop a long term profitable enterprise. Deshpande et al., (1993) also suggested that customer orientation requires a company wide knowledge of the customer and what they value in products and services. This theory also discussed to an extent whether customer orientation considers only current needs of customers or includes future needs. According to Narver and Slater (1998) customer orientation requires that a seller understands a buyer's entire value chain not only on current conditions but also as it will evolve over time subject to internal and market dynamics. But it also points to the detail that the existing customers can constrain a firm's ability to innovate because the innovations may threaten the customer's way of doing business. Deshpande et al., (1993) also put forth the idea that even though a focus on information about the needs of customers is important it is inadequate without consideration of values that pervade that organisation and which helps to define the customer focus.

#### **2.2.2.2 Competitor Orientation**

Competitor orientation is described by Narver and Slater (1990) as the understanding of an organisation regarding its strengths and weaknesses vis-à-vis its current and possible future competitors as well as awareness of their long term capabilities and strategies; which also requires gathering of information. A competitor orientation consists of the regular monitoring of competitor activity, the collection and use of market information on competitors to develop marketing plans and using the sales force to monitor and report competitor activity. Thus competitor orientation is closer to the intelligence perspective in terms of responding to external intelligence but it may be argued that the potential contributions of other sources such as regulations, market trends, suppliers, government bodies etc. are not taken into consideration. Thus this may be a limitation of this definition.

Also for SMEs with smaller resources and smaller market share it may be less important and less possible to be competitor oriented in this way.

### 2.2.2.3 Inter-functional Coordination

Inter-functional coordination is the coordinated utilisation of company resources in creating superior value for its customers. It includes sharing information between departments, involving all departments in preparing business plans and strategies and integration of activities between departments. It also refers to regular interaction of marketing department personnel with other departments on a formal basis as well as regular inter-departmental meetings to discuss market trends (Narver and Slater, 1990; Gray et al., 2002). Findings revealed the importance of coordinating a company's internal activities with the aim of continuously creating value for the customer (Castro et al., 2005).

Deshpande et al., (1993) supported the view that inter-functional coordination is consistent with and should be part of its meaning. They also suggest that Market Orientation is best defined as an organisation-level culture, a set of shared values and beliefs about putting the customer first in business planning, as a strategy creating continuously superior value for a firm's customers and as tactics; the set of cross functional processes and activities directed at creating and satisfying customers. However they exclude the competitor focus from the Market Orientation construct.

The limitations of this work which were also noted by Kohli; Jaworski and Kumar (1993)

- A very narrow focus on customers and competitors excluding additional factors that drive customer needs and expectations
- The speed with which market intelligence is generated and disseminated in an organisation is not taken into account.
- A number of items that do not tap specific activities and behaviours that represent a Market Orientation are included in the original definition.

The above literature thus helped to consider the limitations of either perspective and build a framework based on a comprehensive and robust understanding of Market Orientation without excluding any of the necessary and sufficient elements. Accordingly an understanding of the nature of Market Orientation relevant to this research as developed in the form of a framework is detailed in the next section.

## 2.3 Framework: Market Orientation

### 2.3.1 Relevant nature of Market Orientation

As explained by Harris and Piercy (1997), the research of Kohli and Jaworski (1990) indicated that if Market Orientation is focussed on intelligence and understanding of the market, then the impediments to the development of Market Orientation are derived from weak information systems and organisational unresponsiveness to the generated intelligence about customer needs. Narver and Slater (1990), in suggesting that Market Orientation is a form of organisational culture, placed the focus on the attitudes and behaviours of employees and managers of the company. The point at which the theories converge is in the overall consensus that internal factors do significantly affect Market Orientation development.

Jaworski and Kohli (1993) and Kirca et al., (2005) classified the antecedents of Market Orientation into three categories: top management factors, interdepartmental factors and organisational systems. Top Management emphasis on Market Orientation has a positive impact on the organisation's Market Orientation according to Narver and Slater (1990). Inter departmental connectedness leads to formal and informal contacts among all employees which enhance Market Orientation leading to sharing and use of information. However interdepartmental conflict arising due to varying objectives and priorities across different functions prevents a unity in responsiveness to market needs and thus diminishes Market Orientation according to Jaworski and Kohli (1993). Organisational systems such as formalization and centralization are said to inhibit intelligence generation but enhance concerted responsiveness. Market-based reward systems use Market-Oriented behaviours as metrics to reward employees, thus motivating employee actions that enhance Market Orientation. Staff training is also said to stimulate Market Orientation. Castro et al., (2005) stated that it is important to coordinate a company's internal activities with the aim of continuously creating value for the customer. It is thus necessary to develop an internal and external orientation that makes the establishment of the Market Orientation philosophy possible.

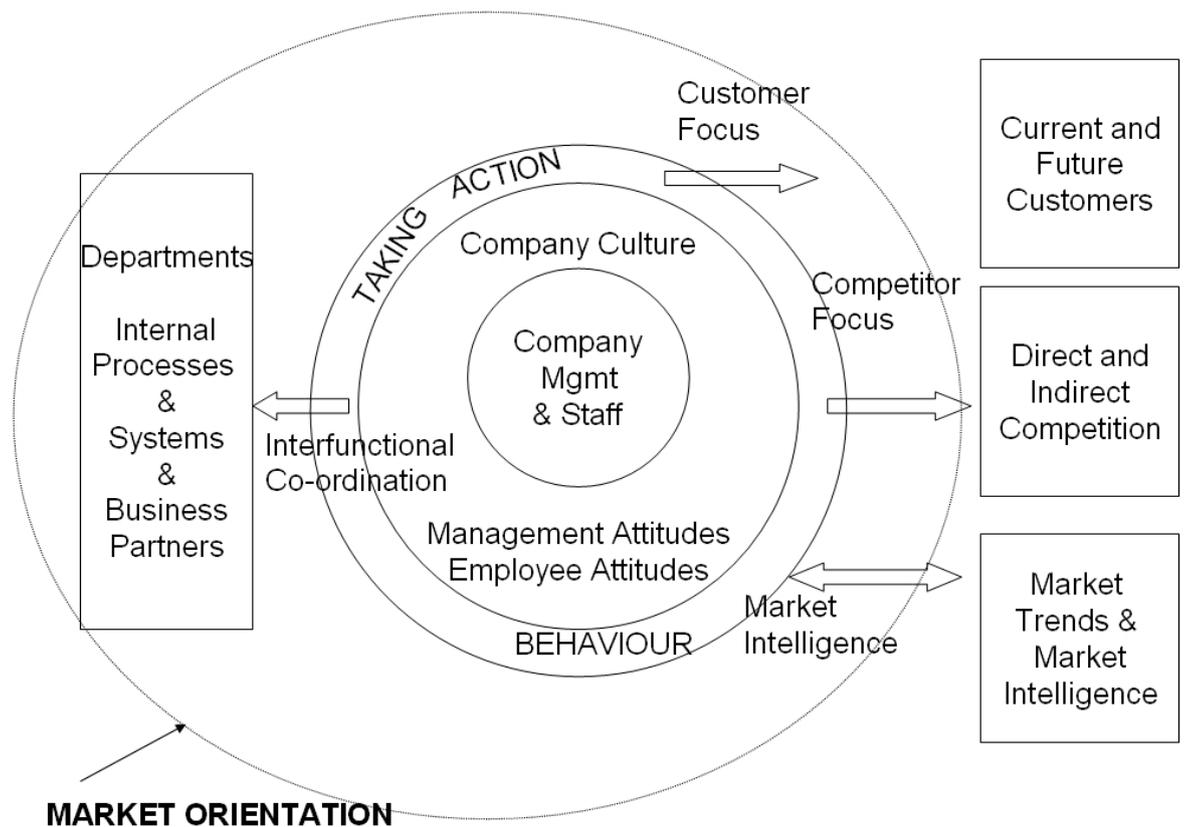


Figure 2.1 – Framework to depict Nature of Market Orientation

To include these internal and external perspectives the definition provided by Gray and Hooley (2002 p: 981) appeared to be relevant covering all aspects of Market Orientation as discussed above in stating that, "Market Orientation is the implementation of a corporate culture or philosophy which encourages behaviours aimed at gathering, disseminating and responding to information on customers, competitors and the wider environment in ways that add value for shareholders, customers and other stakeholders." Based on this review the Researcher created a framework as depicted in figure 2.1 above.

### 2.3.2 Market Orientation is not Marketing Orientation

Several prominent researchers such as Hooley et al., (1990) and Narver and Slater (1998) have differentiated between Market Orientation and Marketing Orientation. As stated by Gray et al., (1993) whilst Market Orientation studies in line with the marketing concept, often investigate differences between a production, selling and marketing philosophy, Marketing Orientation studies tend to be concerned with marketing's functional role in coordinating and managing the 4Ps (Product, Promotion, Pricing, Placement) to make companies more responsive to meeting customer needs. One of the key issues with these latter studies being that they appear to have underestimated the organisational difficulties

of implementing the marketing concept, importance of fostering appropriate organisational values, goals and climate to improve marketing effectiveness. Moreover Marketing Orientation clearly posits marketing as a process and within most organisations this process is normally managed by the marketing function. On the other hand, Market Orientation studies tend to de-emphasize the functional roles of marketing managers and marketing departments and instead posit that developing customer relations and enhancing customer value is the responsibility of everyone in the organisation. This puts the onus of customer focus on the entire organisation and marketing professionals are expected to enhance interdepartmental coordination rather than restrict the scope of marketing to the narrow confines of the marketing function alone. Market Orientation studies also tend to focus more on awareness of and responsiveness to environmental influences in marketing decision making and implementation. Researchers such as Hooley et al., (1990), in promoting the concept of Market Orientation, have stated that in a truly Market Oriented organisation one cannot advise who is in the marketing department as everyone strives to build a marketing culture across the whole of the company's operations.

This literature review was accordingly focussed to obtain valuable information on the theory, views and experience of other researchers on the key criteria which influence the development of Market Orientation and barriers to its implementation.

## 2.4 Adoption of Market Orientation

### 2.4.1 Attitudes, Behaviours and Norms for Market Orientation

#### 2.4.1.1 Attitudes

The attitude of the people which make up the organisation (management and employees) and resulting behaviours represent essential elements in the development of a true Market Orientation insofar as the company leaders have the power to shift organisational systems and structures in favour of the employees (Castro et al 2005). These then create the climate aimed at offering higher value to the customer. Castro et al. (2005) and Hooley et al. (1990) stated that attitudes in organisations start at the top and crucial to the adoption of a true Market Orientation is the attitude of the chief executive officer (CEO). It is unlikely that any company ever becomes Market Oriented with a bottom up approach and to make it happen you need the commitment and power of those at the top. Shapiro (1988) and Castro et al. (2005) further stressed that the role of management is fundamental in fostering Market Orientation by overcoming organisational inertia as well as employees' resistance

to changes intended to motivate everyone in the company towards customer satisfaction. Senior managers must develop positive attitudes toward change and a willingness to take calculated risks. Some initial endeavours to develop Market Orientation may not succeed. However a supportive reaction for failures is critical for bringing about a change oriented philosophy represented by the marketing concept (Kohli and Jaworski, 1990). With such an attitude among employees, there would be more willingness to trust each other, to admit responsibility for mistakes and to expose shortcomings which then lead to higher motivation, team spirit and greater commitment.

#### **2.4.1.2 Behaviours**

Behavioural elements such as customer focus, competitor focus and inter-functional coordination are discussed by Narver and Slater (1990). Strategies and tactics such as customer segmentation, regular two way communication with targeted customers, clear positioning versus competition, collection of intelligence regarding market trends and the 4Ps of product, price, promotion and placement forming part of Market Oriented behaviour are explained in mainstream marketing literature. The additional essential component of inter-functional coordination is further explained in terms of setting up of processes and internal marketing. Shapiro (1988) and Castro et al., (2005) emphasised that Market Orientation develops through a set of processes touching all aspects of the company such as the planning process, systems to collect useful market intelligence, reward systems, internal communication, recruitment processes. Piercy (1995) pointed out that changing the way critical processes are managed is a cost effective way of adopting Market Orientation.

#### **2.4.1.3 Systems and Norms**

The Researcher examined available literature on how systems can influence Market Orientation development. Systems to collect and disperse meaningful intelligence about the market are necessary to develop and implement appropriate responses (Kohli and Jaworski, 1990). The difficulty lies in the fact that information systems commonly relate to things that are easy to report (sales, profit and activity levels) or merely routinely produce unfathomable or unnecessary lists of costs and revenues. Developing Market Orientation requires collection of different types of information e.g. intelligence of customer satisfaction levels as well as sales, customer complaint levels as well as costs, service achieved as well as market share.

Thereafter importance of the planning system in the organization was explored. Marketing Planning centered on customer and market needs is said to be the principal mechanism firms possess for aligning their efforts with the expectations of their customers. Marketing literature suggests that high quality marketing planning is achieved when planning is formal, comprehensive, rational, and interactive (Piercy, 1997).

Piercy (1997) cautioned that communication systems to disperse intelligence and share plans often disseminate information to the wrong people at the wrong time or distribute intelligence in such a way as to confuse the recipients so much they ignore it. The communication process therefore has to promote customer focus and elicit employee support for company vision, mission and objectives (Kohli and Jaworski, 1990). Senior managers must themselves be convinced of the value of a Market Orientation and communicate their commitment to junior employees through behaviours and resource allocations in addition to annual reports and public interviews. Information and communication systems should enable direct lateral communication across departments. Regular cross functional meetings to discuss customer needs and to analyze feedback from buying influences were found to be advocated by Kohli and Jaworski (1990). They also suggested inter departmental lunches, sports leagues, mixed teams and newsletters that encourage exchange of employees across departments and cross departmental training.

Ruekert(1992) recommended adopting more generous reward systems which reinforce those actions and behaviours which improve Market Orientation such as a bonus plan to encourage each function to pursue corporate wide goals instead of its own objectives. It was suggested by Shapiro (1988) that the system should aim to reward not only in-role performance but also extra-role performance. In-role performance represents results connected with work output including sales, volumes, commission etc. Additional roles include performance related to aspects of the individual's behaviours (such as loyalty, participation, helping behaviours, sportsmanship, individual initiative, organizational loyalty, satisfaction and personal development). This would lead to the necessary team work as stated by Shapiro (1988). Finally appropriate recruitment procedures as well as training processes were said to be essential to encourage employees to understand customer values and foster positive attitude towards customers. Piercy (1995) recommended training and development to focus the values and attitudes of both executives and employees on a more responsive customer focused outlook. Thus various

researchers identified management and employee attitudes and corresponding behaviours and systems or processes as the central pillars that are widely recognised in the conceptualisation of Market Orientation.

### 2.4.2 Barriers to MO

Harris and Ogbona (2001) provided a review of existing research into the barriers to Market Orientation finding a recurring theme centred on management behaviour while recognising that systems, structures and strategies may also impede Market Orientation (Ruekert, 1992; Jaworski and Kohli, 1993 and Harris, 1998). They stated that departmental preoccupation with their own functional problems, lack of appropriate skill and unclear objectives all result in hampering the development of Market Orientation. Wong et al., (1989) suggested that the most common barrier to Market Orientation is the sheer difficulty in attempting to change traditional thinking and practices or the self interests of staff within their units. The second most common barrier is the lack of cooperation and coordination between functional units. Piercy (1995) cited limits set by available financial resources, the costs of overcoming entrenched management attitudes, the costs of valuable executive time and the costs of generating information, training etc. as barriers to developing Market Orientation.

Harris (1998) elaborated on the problem of inertia towards changing attitudes and error of presuming support from employees. Business managers in SMEs tend not to be specialists at change management and their method of introducing Market Orientation involves a fair amount of trial and error. But employees' enthusiasm towards new ideas wanes much more quickly and they are therefore slowly more and more unwilling to commit to changing attitudes to become Market Oriented. Those who are committed may not get the scope and opportunity. This is also because they do not see any personal incentives in participating in the change process. Harris (1998) also suggested that limited employee empowerment to implement comparatively small changes and task compartmentalisation impedes not only the suggested physical changes to the organisation but also limits the culture of the organisation to one of obedience rather than market responsiveness. These are barriers that can be overcome through appropriate training, dissemination of information about the potential of improving levels of Market Orientation and providing clear guidelines relating to strategies and feedback and control mechanisms.

### 2.4.3 Scope: Assessing level of adoption to consider a company Market Oriented

The researcher gathered information on the approach adopted by other researchers on the evaluation of Market Orientation in a company. According to Slater and Narver (1995), a Market Oriented culture can achieve maximum effectiveness only if it is complemented by a spirit of entrepreneurship and an appropriate organisational climate i.e. providing incentives and processes to operationalise cultural values. Market Orientation is considered and measured exclusively through management perceptions according to Castro et al., (2005) and this was found to be limiting in terms of lack of consideration of the attitudes and behaviours of rest of the staff by the researcher. Other approaches suggest that since Market Orientation in its very concept involves a strong Customer Orientation a business should be considered Market Oriented only when its customers actually perceive it to be as such (Steinman et al., 2000) but it was felt by the Researcher that it would be difficult to get an unbiased assessment from a large enough sample of customers as their loyalty, time constraints, lack of awareness of the firms internal coordination would prove to be obstructions. Prominent researchers have provided measures to evaluate the adoption of Market Orientation such as the MARKOR scale by Kohli, Jaworski and Kumar (1993) and Deng and Dart (1994). Although the quantitative scale was considered to be unsuitable for this project, the basic tenets of the MARKOR scale such as consideration given to top management emphasis, interfunctional conflict, employee commitment along with intelligence generation, dissemination and responsiveness provided a good starting point for ensuring a comprehensive method of assessing level of Market Orientation adoption. The lack of focus on customer and competitor orientation in this method was noted. Narver and Slater (1990) have referred to the point where the incremental costs to increase its Market Orientation will exceed the incremental benefits as an indication to determine appropriate extend of Market Orientation. Their basic focus on customer focus, competitor focus and interfunctional coordination in the MKTOR scale was also noted. It was noted that Hooley et al., (1990) used the following factors as indicators of Market Oriented behaviour and attitude.

- Marketing execution whether it was limited to advertising, promotion, market research or also embraces pricing, product design, customer service, distribution,
- Company's attitude to marketing

- Organisation of the marketing effort
- Representation of marketing at board level
- More sophisticated organisational structures
- Degree to which marketing works with other main functional departments in the organisation
- Role of marketing in the company's strategic planning
- Extent of formal marketing planning in the company
- The company's approach to new products development.

In this study based in a UK environment, the researcher attempted to loosely follow these salient points while testing the level of Market Orientation adoption. These well established and accepted measures matched and complemented the Researcher's analysis of Market Orientation based on the literature review. Hooley et al (1990) derived their conclusions with data from a representative sample of UK firms and their framework was therefore considered as a relevant set of universal measures to use. Also theirs is a more implementation oriented approach and they suggest the likelihood that businesses pass through stages of marketing similar to the framework used by the Researcher based on the SME stages model as described further in the next section.

## 2.5 About Small and Medium Enterprises (SMEs)

Literature on Market Orientation for a family owned SME environment specifically was found to be limited. Researchers such as Becherer et al (2001), Pelham (2000), Coviello et al., (2000), Carson (2000, 1990), Scase and Goffee (1980), Morris and Paul (1987) and Hill & McGowan (1996) explored various characteristics of marketing or Market Orientation specific to SMEs and in many cases emphasised the need to differentiate between SMEs and large companies while applying Market Orientation. The work of Appiah-Adu and Singh (1998), Simpson and Taylor (2002) provided indicators to determine the nature of Market Orientation and analyse Market Orientation development in SMEs. Recent SME literature regarding Market Orientation such as Raju et al., (2011) examining the role of Market Orientation related to SME performance and Laforet (2008)

determining the influence of Market Orientation on innovation in SMEs was also reviewed.

### 2.5.1 Definitions of SME

The Department of Trade and Industry (DTI) uses the following definitions:

- micro firm: 0-9 employees
- small firm: 0-49 employees (includes micro)
- medium firm: 50-249 employees
- large firm: over 250 employees

The following table provides the revised definition of an SME by the European Commission in 2003,

Enterprise category	Headcount	Turnover (€)
Micro	<10	<2 million
Small	<50	<10 million
Medium	<250	<50 million

**Table 2.1 - Revised European SME definition (2005 EU commission SME guide)**

The factors most commonly used as the defining factors of SMEs namely size of the firm in terms of turnover, number of employees would be important for consideration to determine the nature of Market Orientation in the context of SMEs. Further literature review indicated distinguishing characteristics of SMEs linked to these factors.

### 2.5.2 SME Characteristics

Hill (2001a), Carson (2000, 1990), Appiah-Adu and Singh (1998) highlighted the differences in SMEs compared to large firms. They stated that too often the large firm model is taken as given and the small firm is assumed to be a scaled-down version of a large firm. But small businesses are not just a small version of large businesses. SMEs have their own particular characteristics which affect the way they operate and which largely determine their marketing preferences too. SMEs have typical structural and operational characteristics based on the following factors that impact SME marketing also:

### **2.5.2.1 Relative Size and Stage of development of the enterprise**

Hill (2001a), Appiah-Adu and Singh (1998) pointed out that firms are smaller not only in terms of number of employees, sales volume and turnover but also in terms of the limited number of products and customers that they have. As a result there is a lesser need for formal procedures developed to gather and process customer or market information. The size also impacted cultural attitudes and Appiah-Adu and Singh (1998) associated this with customer orientation implementation. Also firms often have relatively simple organisational structures and more cohesive cultures as a result of the small size of the organisation (Carson, 2000, 1985). Carson (2000) further clarified the role of the stage of development of the SME and the role of the industry norms within which it operates in affecting how SME marketing is done.

### **2.5.2.2 Owner's Objectives and Management Style of the firm**

Becherer et al., (2001) identified the influence of the owner's vision and business objectives as a major differentiating characteristic of SMEs also stating that many owner managers only wish to obtain and maintain a minimum level of income, rather than endeavour to maximise profits and sales. The motivation of the owner was found to have a key influence on the firm and its performance. Fuller (1994) and Carson (1985) cited need of owners/managers to be generalists due to a lack of experts and specialists in smaller enterprises. Carson (2000) assessed that management competencies influence SME marketing. This influence of SME factors on marketing/Market Orientation is assessed in further detail in section 2.6.

## **2.6 SME Marketing literature review and resulting Framework of Market Orientation**

Raju et al., (2011) were a source of an up to date literature review on the study of Market Orientation in the context of SMEs. They supported the integrated approach of viewing Market Orientation from the cultural as well as intelligence perspective and viewed Market Orientation as being comprised of the four components of customer orientation, competitor orientation, interfunctional coordination and responsiveness based on disseminated intelligence. This was found to be similar to the exploration of the nature of Market Orientation after reviewing relevant literature in this study by the researcher. However Raju et al., (2011) did not find existing research to demonstrate empirically what levels of Market Orientation were developed in SMEs and suggested the need for testing their

framework based on the advantages cited of smaller firm size in this context of easier intelligence dissemination and organizational learning due to simpler organizational structures, greater customer contact and greater ability to focus on the market were likely to be more suitable for SMEs to develop Market Orientation. In the context of SMEs Pelham (2000) found the key market orientation elements to be fast response to negative customer satisfaction information, strategies based on creating value for customers, immediate response to competitive challenges, and fast detection of changes in customer product preferences. Becherer et al., (2001) also stressed the importance of the organizational culture and resources for intelligence gathering and recommended small firm specific strategies. Piercy and Morgan (1994) advocated that small business marketing should also be a process of thought or attitude of the mind instead of only a set of techniques focusing on marketing philosophies and planning regarding how marketing is actually carried out.

Thus the literature on Marketing or Marketing Orientation or Market Orientation in SMEs as available was examined by the researcher and it was identified that the framework of nature of Market Orientation developed so far in this review including cultural elements and attitudes and behaviours focussed on customers, competitors and the market was relevant as a universally applicable concept and philosophy but it was necessary to recognize some unique small business characteristics that affected the implementation and process of development of Market Orientation as well as extent of Market Orientation. This approach was recommended in Siu and Kirby (1998), Gardner (1991).

For instance Franz (1978) supported a small business marketing strategy development process including appreciation of small business limitations, identification of target markets, use of low cost marketing research methods, developing a marketing mix and utilizing personal selling activities to market their products. As concluded by Carson (1985) and Scott et al., (1996) many small businesses perceive marketing as purely selling, advertising or promotion. Marketing is often seen as peripheral to small firms' requirements and frequently misunderstood and underutilised by small business owner-managers. It was found that internally emphasis is given for example on creation of a marketing department, transfer of product development and service function to the marketing department, a strengthened advertising function and increased marketing expenditure as operational concepts to determine the Marketing Orientation of small firms

(Brooksbank et al., 1992b). This was seen as a limitation of SMEs that could be overcome through influencing the owner/manager and transforming the organizational culture and specific recommendations in this context of Becherer et al (2001), Raju et al (2011) were further examined in section 2.7,

Carson and Cromie (1989), Scott et al., (1996) and Carson(1990) stressed the need for fitting the marketing approach to suit the circumstances and characteristics of small firms stating that SMEs have a different nature of doing business, limited resources, lack of specialist expertise and limited impact on the market place. Carson (2000), Coviello et al., (2000) provided recommendations on how to do marketing in SMEs to adapt to the resource limitations of SMEs. They favoured interaction and network marketing as more suitable for SMEs than transaction and database marketing. Carson (2000) suggested innovative marketing in terms of presentation and delivery of products and competency marketing based on competencies of experiential learning, knowledge and judgement. .

Carson (1990) proposed a number of models to take into consideration the capability of small firms with regards to marketing planning that would help an integrative approach in implementation (i.e. integrating universal marketing principles with recognition of small firm characteristics that affect implementation). These models are summarised as follows and one was chosen to follow the recommendations for studying adoption of Market Orientation in the SME context. The model selected for this study was also recommended by Carson (2000) and similarities to this model were found in the work of Simpson and Taylor (2002) also.

### 2.6.1 Models of SME Marketing

According to Fuller (1994), the six models of marketing developed by Carson (1990) addressed a number of issues related to small firm marketing such as the extent to which general principles of marketing can be applied to each particular situation, constraints affecting this marketing, role of planning in marketing, influence of the owner/manager and the evolution of firms through different phases of development. The models are briefly summarised below and the marketing principles elaborated within the chosen model to be applied to this research.

### **2.6.1.1 Model 1: Limitations**

This model listed the three types of marketing limitations constraining the way in which small firms undertake marketing namely limitations of expenditure (time and money devoted to marketing), limitations of expertise (managers teach themselves marketing or marketing is viewed as part of a general supervisory program) and limitations of impact (the extent to which a firm and its products are known in the market place is limited)

### **2.6.1.2 Model 2: Situation specific**

This model explored how the general principles of marketing are adapted to the situation in which a firm is operating. The firm's marketing may be in accordance with general theoretical marketing concepts but not implemented appropriately or the firm may prefer to follow the specific norms and practices of its industry rather than run in accordance with marketing concepts. Situation specific is when marketing is innovated and carried out to suit the specific circumstances of that firm. Since the founders of SMEs usually start a business in a sector in which they have personal experience, it might be expected that they would have the expertise to adopt industry-specific features of marketing. However many owner-managers who have a technical or production background and know the business from within do not have the broader perspective provided by marketing.

### **2.6.1.3 Model 3: Crisis Planning**

This model differentiated between firms in terms of level of planning. Some firms engage in planning for the future, forecasting, setting objectives and developing strategies. Other firms with a greater operational focus try to find instant results to an immediate problem.

### **2.6.1.4 Model 4: Adaptation of marketing theories**

This model was based on the extent to which a firm adapts broad marketing planning concepts and applies market techniques to suit its circumstances. Limited adaptation means that the firm uses marketing techniques unsuitable to its needs. Substantial adaptation is where techniques have been refined to suit characteristics of firm and its environment.

### **2.6.1.5 Model 5: Stages of development**

This model explained the impact of the stages of the business on the development of Marketing in the business:

- a) Reactive Marketing is useful for new firms and describes a situation where all customers are personally known to the owner and the business tends to

develop through word of mouth recommendation, based on price, product and delivery.

- b) Tinkering marketing refers to spontaneous and spasmodic attempts to increase sales, perhaps through occasional local advertising, brochures or sponsorships.
- c) Entrepreneurial marketing is the instinctive marketing carried out as the owner-manager learns about marketing and recognises its value in generating extra sales. Owners/managers often have a craft or production background which can lead to an approach incompatible with the marketing concept.
- d) Professional Marketing is the last stage where a Marketing Function is developed and dedicated resources are directed with full understanding of the potential benefits that can be realized.

#### **2.6.1.6 Model 6: Levels of Activity**

This model tracked the levels of activity.

- e) Little or no marketing occurs when a firm reacts to customer requirements. It has little or no knowledge of the customer base or market and not a clear purpose.
- f) Implicit or simple marketing ó the firm undertakes instinctive marketing as part of normal business activities. But it is fragmented because of lack of resources and expertise.
- g) Explicit and sophisticated marketing is a coordinated integrated programme of marketing with a clear purpose and objective.

It was evident that these models offered different perspectives to analyse the marketing in SMEs. The approach in the first three models highlighted the constraints that are inherent to the nature of SMEs. Models 4, 5 and 6 were based on the varying marketing responses of SMEs to these constraints and also the varying marketing activities and responses during their stages of growth. In the model 3 SMEs were constrained by the need for top management to respond more rapidly in the short term to day to day problems which leads

to lack of planning for the mid and longer term. Model 6 described levels of activity in marketing which may be related to and determined by the amount of planning and coordination that can be done in a short span of time. Model 2 referred to the specific conditions of an SME operating in a niche market and specialised sectors that SMEs are likely to flourish in. The response outlined in Model 4 explained how generic marketing principles must be substantially adapted to be relevant to specific circumstances of an SME environment. Model 1 outlined the constraints resulting from resource limitations, limitations in skill and expertise and resulting limited impact upon the market place. It can be said that as the business develops in stages, the impact of these constraints is minimised or the business learns to adapt to these constraints better and in both cases the marketing varies accordingly and adapts to be more effective.

Model 5 described the stages of marketing which change as the SME goes through stages of increasing resources and increasing impact upon the market place. The level of marketing determined by stage of development of the enterprise as described in model 5 was found to be most relevant as per the aims of this research in mapping what stage of marketing a firm may be at and extent of Market Orientation. The characteristics of firms highlighted in this model would be useful in this research as they follow the chronologically changing stages of development of the firm moving towards Market Orientation adoption which would also be analysed in the case study company. It may be argued that limitations of resources, expertise and impact (i.e. fewer employees, lesser turnover, fewer product lines to manage, fewer customers, shorter business cycles, much more dynamic market forces to deal with) are the root factors characterising an SME and other constraints follow. The changes in marketing stages in response to these characteristic limitations and smaller scale of operations therefore appeared to be the most relevant model to choose for analysis of Market Orientation within the SME context. This perspective was prescribed in the evolution in stages Model 5 and hence the justification for choosing this model as a starting point to explore adoption of Market Orientation.

As described in section 2.5.2.2 it was necessary to consider also the effect of the change in business practices of the owner and the attitude, aptitude, belief and objectives of the owner manager and how they impacted SME marketing. . Owner-managers of SMEs have a 'distinctive marketing style' distinguished by an inherent informality in structure, evaluation, and implementation and SME marketing is likely to be impacted accordingly

(Carson & Gilmore 2000, Carson 1990). Becherer et al., (2001), Morris and Paul (1987) also linked Marketing Orientation to the organizational culture and entrepreneurial management style of small firms. Therefore the chosen Model 5 was further elaborated in the next section 2.6.2 by linking it to these typical SME characteristics described in the previous section 2.5.2 namely owner objectives and management style that differentiate SMEs along with stages of development.

## 2.6.2 Impact of SME characteristics on SME Marketing

### 2.6.2.1 Stages of Marketing based on growth cycle of SMEs

Carson (2000, 1993) stated that initially marketing is classified as a peripheral business function and the importance of marketing is realized only when small firms experience change i.e. need to grow and expand or are in a crisis of survival. He also stated that treating marketing as a business function applicable to small business neglects the specific marketing limitations and constraints of small firms. Owner/managers misconceive marketing as the 4Ps only and marketing is only applied in a general sense.

This was also described as the five stages in a firm's development of marketing skills during its growth cycle i.e. existence, survival, success, take off and resource mature by Churchill and Lewis (1983). The stages of marketing from model 5 following the stage of growth of the firm as in Siu and Kirby (1998) explained that in the first stage of Entrepreneurial Marketing the owner takes charge of marketing and sales activities. Reactive Marketing was described as the stage when professional managers replace the owner-manager and take charge of the immediate marketing and sales functions to implement basic marketing tactics but without a great focus on marketing principles. This is likely to happen as the aspects of tactical marketing expand and the owner does not have the time to execute the work so that it is outsourced but as a downside marketing would lose some of its strategic significance. The next stage is Opportunistic Marketing or Tinkering Marketing carried out as a result of initial success of basic marketing activities. As the firm grows a marketing system develops and becomes systematised and formalised. This includes developing a greater focus on the market share and providing product support and customer services. The predomination of sales and marketing in stage 3 was typified by growth and the attainment of profitability owing to success of some tactical marketing beyond which it is not considered as core of the business planning process. In stage 4 marketing was identified as a derivative of business strategies. Siu and Kirby

(1998), Carson (1985) and Tyejee et al. (1983) stated that whilst the early stages in this field of SME marketing discussed operational decisions affected by organisational development, in later stages emphasis is placed on market planning and the marketing evolution process. This emphasis upgrades marketing from a functional to a strategic level and also favours that it should be proactive not reactive. It was concluded by the Researcher that from this fourth stage of Diversified Professional Marketing, the final transition for the firm would be to adopt Market Orientation where the responsibility for customer focus, response to market conditions and inter-functional coordination is adopted by the whole company and not just a marketing function. This was based on the literature regarding Market Orientation and linking that to the SME marketing review.

#### **2.6.2.2 Stages of Marketing based on influence of the owner and management**

Some researchers contended that the marketing behaviour of small firms is related to the personal characteristics of the owner manager, (Carson and Chromie, 1989).

Look after itself marketing is pursued by the reactive fire fighting small firm manager focussed on day to day survival who does not follow marketing analysis and planning. Such owner/managers have reservations about the applicability of certain aspects of marketing to their own businesses which they see as having special needs. This could be related to the Reactive Marketing described above.

Entrepreneurial Marketing is the result of owners who use their personal relationships heavily in marketing. Siu and Kirby (1998) linked personal characteristics of entrepreneurs to the marketing behaviour of small firms. Business people with higher entrepreneurial orientation report greater possession of distinctive marketing competencies, (Leppard and Macdonald, 1987). Thus entrepreneurial characteristics and the Market Orientation of the owner-manager both potentially influence the marketing activities of small firms.

Organisational Marketing is enhancing the supportive organisational system and structure since marketing activities of small firms are ultimately related to their organisational culture (Morris and Paul, 1987). This seemed similar to the Opportunistic Marketing as described above. In their research, Carson and Cromie (1989) also touched on the effects of management style and the culture of small firms on the marketing activities of small firms as the approach slowly moves from non-marketing to implicit-marketing and finally to sophisticated marketing.

In the interest of creating a framework based on a broad based analysis of different researchers regarding SME marketing, the work of Simpson and Taylor (2002) was also reviewed. Simpson and Taylor (2002) presented a model of the role and relevance of marketing in small and medium-sized SMEs. Their model was divided in four categories. In one category of marketing independent organisations (MIO) businesses were reliant on few big existing customers so that their reliance upon marketing strategies or initiatives was very low and accordingly very few resources are made available for marketing. In a second category of marketing weak organisations (MWO), there was a greater need for marketing as the business needed to expand or to maintain market share whereas the resources deployed towards marketing were not sufficient. This category was characterised by a lack of staff in the marketing department and by a sales orientation. The third category referred to a marketing dominated organization (MDO) where the marketing function played a big role in the organisation dominating strategies and using resources but was either viewed as an unnecessary burden or was gaining power due to the aspirations of the organisation to grow outside present circumstances which were not yet achieved. The fourth category termed as marketing led organisation (MLO) described the scenario where marketing was considered very relevant and also had a major role in the firm. Simpson and Taylor (2002) identified this category of organisations as having adopted best practice business sense in dealing with its external business environment. The researcher recognised similarities between this model and the stages of marketing model proposed by Carson (1990) and compared these categories to the reactive marketing, entrepreneurial marketing, tinkering marketing and professional marketing stages respectively. It was felt that this further validated the chosen model and framework created integrating relevant research in this study

### 2.6.3 Summary and Framework: Market Orientation in SMEs

The following figures summarise each of the stages of SME marketing which can lead to adoption of Market Orientation at the final stage as per the chosen model 5 described above including impact of typical SME characteristics. It was attempted to align these findings about influence of SME characteristics on their marketing in Figure 2.2 below and summarise accordingly the likely indicators of each of the stages of marketing in Figure 2.3. This was used by the researcher to analyse the extent of adoption of Market Orientation in the case study SME units.

Stages of SME (Churchill and Lewis, 1983)	Existence	Survival	Success	Takeoff	Resource mature
Marketing Evolution Stages (Carson, 2000; 1990; 1985; Simpson and Taylor, 2002)	Entrepreneurial	Reactive Selling	DIY Marketing	Integrated Proactive	
Organisational Structure & Planning (Hill, 2001b and Carson& Cromie, 1989)	Non Marketing	Implicit Marketing	→	Sophisticated Marketing	
Owner Management Style (Carson and Cromie, 1989)	Entrepreneurial	Look After Itself	Organised	→	
Attitude/Cultural (Morris and Paul, 1987; Carson, 1993 and Hooley et al., 1990)		Peripheral function	→	Strategic Function	Company Philosophy

Figure 2.2 - Summarising changes in SME Marketing based on SME stages & characteristics in the literature.

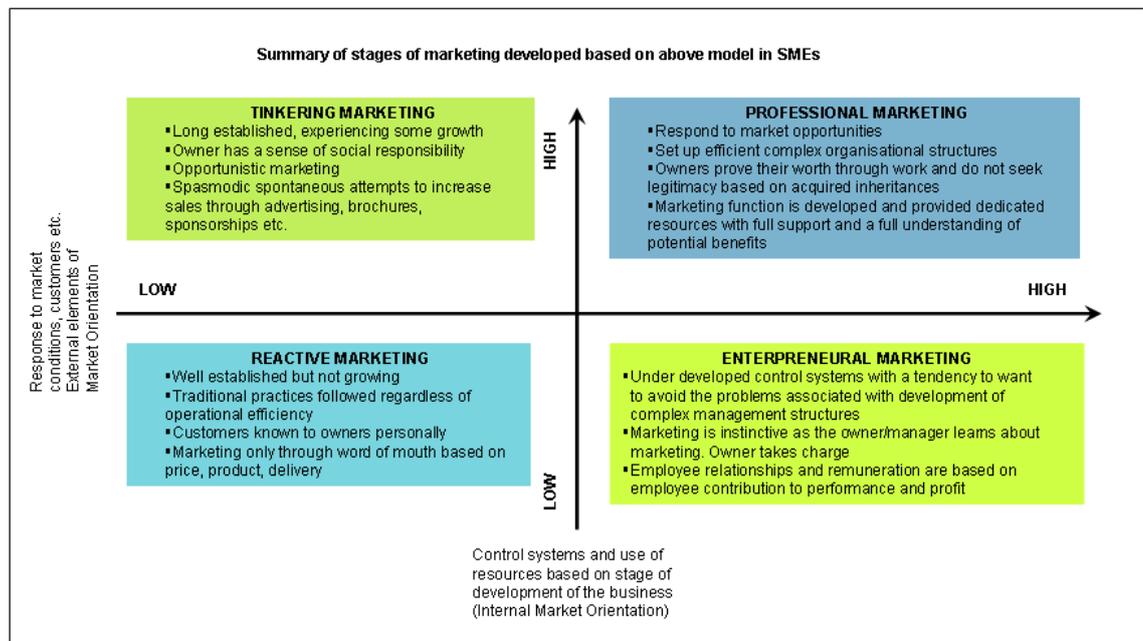


Figure 2.3 - Summary of stages of marketing developed based on above model in SMEs.

This review confirmed that the definition and framework of Market Orientation developed in the first section of the review conceptually does apply to SMEs too, in terms of the importance of the organisational culture, the attitude of top management, importance of communication systems and structures, coordination within the company and in terms of behaviour focussed on customer, competitors and market changes. The difference was likely to exist however with regards to the extent and in implementation of Market Orientation. This could be due to the distinctive marketing behaviour of the small business owner/manager. Having identified the main factors influencing Market Orientation in SMEs the next step was to explore causes and means to adopt and implement Market Orientation in an SME environment.

## 2.7 Adoption of Market Orientation by an SME (Attitudes, behaviours and systems)

The above review of SME marketing and Market Orientation literature recommended that Market Orientation implementation was possible by adapting to SME conditions resulting from their resource constraints or advantages due to size and stage of development (Carson 2000, 1993, 1990; Appiah-Adu and Singh, 1998; Fuller, 1994), the external environment and industry norms (Carson, 2000; Pelham, 2000) and cultural misunderstanding or limitations in management style (Simpson and Taylor 2002, Carson 1985, Carson 1990, Coviello et al 2000). Marketing behaviour is dependent upon personal characteristics of the owner manager organisational structure and the strategic marketing posture of the firm influence company performance (Hill, 2001b; Carson and Chromie, 1989). In this section it was attempted by the researcher to accordingly identify the internally and externally focussed measures to be taken for adoption of Market Orientation based on the above observations of SMEs.

### 2.7.1 Developing suitable owner-manager's competencies to develop a supportive management attitudes for MO

According to Carson (1985) the sub cultures and attitudes in SMEs are characterised by negative impressions about marketing as suitable only for large businesses which have the time and the perception of marketing as a cost. Thus reinforcing the importance of an appropriate Market Oriented culture, (Carson, 1985; 1993) stated that that the challenge still lies firstly in facing and overcoming the antipathy towards marketing in general and also towards Market Orientation that will tend to prevail and secondly in getting the owners and managers to broaden their perception as they tend to think that their own business situation is too unique for general Market Orientation principles to be applied to them.

Internally, marketing behaviour of small firms was related to the motivation, belief, attitude and objectives of the CEO by Becherer et al., (2001) stating that the CEO's vision and market place perspective would impact the firm's operations. This factor was emphasised owing to the owner/manager's direct involvement in every decision from everyday issues as the owner-generalist must keep track of both where the businesses is going and at the same time look after the operational details (Scott et al. 1996). Carson and

Gilmore (2000) stated that owners/managers make most decisions independently of others whilst responding to current opportunities and circumstances. Carson (1993) observed that marketing decision making in SMEs tends to be simplistic, haphazard, unstructured, intuitive, and unplanned and with a short term focus. The SME owner / manager will be mindful of other aspects of the business whenever taking decisions such as resources available, previous company traditions etc. instead of purely focusing on customer need and market forces. So decision making appears in an apparently chaotic informal way, according to personal and business priorities at any given point in time. The majority of the decisions taken are operationally focussed (Hill, 2001b) and these may constrain Market Orientation as concluded also by Becherer et al., (2001)

Researchers such as Hill (2001a) listed some key competencies that the owner/manager must have in order to build the right attitude and culture in the organisation. These are vision, creativity, leadership, communication, motivation, innovation and judgement. Carson and Gilmore (2000) specified knowledge, communication, experience, judgement as a core set of required competencies. Further they stated that these competencies are not fixed and static in a dynamic SME environment.

Becherer et al., (2001) stressed that top management support for a firm-wide culture that fosters a marketing orientation is critical at any size.

## 2.7.2 Developing suitable marketing and management practices to develop MO

It was concluded that marketing and managerial practices must evolve in keeping with the progression of the company since SMEs need to adjust based on their capabilities resources and skills and the need to respond to their ever changing external environments.

### 2.7.2.1 Marketing suitable to the norms of the SME's industry sector

As per Scott et al., (1996), Pelham (2000) Carson (2000) the external field of marketing consists of the macro industry and immediate environments of a firm. Carson (2000) recommended that SMEs follow industry norms regarding how, where and to whom products are presented, how and when they are distributed, degree of service expected, acceptable price parameters since they also govern customer expectations. An SME must have significant differentiation in some aspect of business activity to move away from

these norms. Most SMEs can only hope to attain some marginal differentiation and because of this must conform to industry norms and practices.

Based on their proximity to customers, market focus, resource constraints SMEs were recommended to adopt networking, innovation, relationship based marketing to achieve Market Orientation in terms of customer focus, competitor focus and market intelligence gathering. (Carson, 2000; Coviello, 2000; Pelham, 2000; Hill and McGowan, 1996).

### **2.7.2.2 Marketing Planning or the lack of it**

As suggested by Siu and Kirby (1998) that marketing planning was likely to be essential. Literature suggested that sales people in SMEs while sales driven, actually do focus to a large extent on the needs of the customer in the short term. However this focus is lost over a period of time due to lack of planning. Scott et al., (1996) pointed this out also saying that the importance of analysis and planning to marketing presents the first problem for the responsive, fire fighting small firm manager as the small firm owner's life is based on day to day survival rather than following a well thought out marketing plan. Lack of marketing planning is linked to other factors that hinder development of marketing in small firms such as their reluctance to recruit outside specialists and their reservations about the applicability of certain notions of marketing to what they believe to be their special circumstances as contended by Carson and Chromie (1989). Coviello et al., (2000) concluded based on qualitative data that managers in smaller firms report a need to improve their planning activities and their ability to develop formal marketing plans.

### **2.7.3 Developing suitable systems and procedures**

According to Scott et al., (1996), complex theories or sophisticated formal procedures are inappropriate for small firms and the small business owners would not have the time or patience required to digest, let alone implement them. The antipathy towards marketing is often manifested in the reaction to the use of marketing jargon or terminology (Carson, 1985). Raju et al., (2011) stressed the importance of structural variables along with cultural variables and promoted organizational learning for Market Orientation development taking advantage of simple organisational structures in SMEs.

In the context of Market Orientation adoption the work of Bradshaw et al., (2008) was found to be relevant as it was also written as part of a KTP project with the aim to develop organisational capability and a greater understanding of the composition of Market

Orientation within a small firm context. Bradshaw et al., (2008) observed that companies trying to become more Market Oriented did not have enough clarity on the subject through existing literature and attributed the lack of clarity regarding Market Orientation to a lack of agreed measures of Market Orientation. Their findings were noted in that the desirability of customer orientation was questioned at senior levels of management. However it was felt that the scope of this study was much narrower since a single component of Market Orientation namely customer orientation was considered. Also due to a lack of a clear summary of the measures of Market Orientation or development of a framework to end this piece of work it was felt that the ambiguity regarding how to develop Market Orientation remained and the findings were lacking in terms of being comprehensive and clear. Moreover this study differed in terms of the consideration of family ownership.

In order to analyse the extent and nature of Market Orientation suitable for family owned small and medium sized businesses, it was essential to understand what makes family owned businesses different.

## 2.8 About Family Owned SMEs

### 2.8.1 Definition

A family business is defined as a company owned, controlled and managed by one or more members of one family or at most two or three families. This includes financial, operational and strategic administration of the business (Poutziouris et al. 2004). Schultz et al. (2001) defined family businesses with emphasis on dominance of family interests over stakeholders. According to Litz (1997), along with business objectives, the importance attached to family values and needs made family-owned businesses different from other businesses. A popular representation of the complexities of the family firm depicted a convergence of goals of three different entities ó the business, the family and the founder. Family goals influence the development of business goals and also interact with the personal goals of the founder in forging both long term strategy and daily business decisions (Gersick et al., 1997). All firms which are family owned are not homogeneous. In family owned firms the dominant influence may be of family goals or founder's goals or business goals based on which researchers distinguish between family first firms and business first firms (Ward, 1987).

## 2.8.2 Significance of family owned SMEs

As quoted in Birdthistle and Fleming (2005), of the 20.5 million enterprises in Europe, 17 million are owner managed. Family businesses comprise over 75% of all businesses in the UK and it is estimated that over 50% of people employed are employed in family businesses. Several authors have researched family owned businesses in terms of understanding of the family business (Reid and Adam, 2001), qualitative research of family owned small business (Fletcher 2002, 2004), differences between family business generations (Westhead et al., 2002) and decision making in family firms (Reid et al., 1999).

Family ownership is usually visible in small and medium sized firms. According to Westhead and Cowling (1997), average family firms are smaller in sales revenue as well as the number of employees they employ than non family owned firms. They supported this hypothesis with the observation that business size can be retarded due to the reluctance of the family firm to raise external funds because of the fear of loss of family control. They stated that family firms only grow at a pace consistent with meeting the advancement needs of organisational members in the family system. Thus most family firms are small to medium sized. Whether there is any effect of family ownership along with the size of the business on Market Orientation development or the lack of it was to be explored further in this research. Reid and Adam (2001) associated the size of the business with ownership directly in quoting the definition of family owned business as a proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors.

## 2.8.3 Characteristics of Family Firms: Family Ownership

It was identified as important to recognise the characteristics specific to family owned firms which may influence Market Orientation.

### 2.8.3.1 Ownership Succession

The assertion of Morris et al. (1996) that most family businesses fail after one generation confirming that only about one third of family businesses survive the transition from the founders to the second and third generation of owner management was noted. Also it was noted that in family owned firms, planning and control activities tend to be informal with

considerable emphasis on tax planning and relatively little on succession planning. At the same time, all researchers agreed that proper planning and execution is crucial for smooth transition of ownership of the family business from the owner/founder to the next of kin or another family member (Sharma et al., 2003; Ward, 1987). Succession in family firms include the dynamics that precede and lead up to the actual transition as well as the aftermath of the transition and its implications for the various involved parties. The socialization and training of potential successors involves the transmission of values and objectives as well as technical and managerial skills according to Morris et al., (1996). Wang et al. (2004) developed a three level model for succession; the first level represents an offspring's pre-entry stage where successors can learn from the incumbent about business operations. The second is an entry stage where integrating the offspring into the business operations is the main theme. The final level involves the potential successor's promotion to a managerial position and eventually to the CEOs position. However even this process is not without the tensions and contradictions associated with all family firms and their operations (Fletcher, 2002). For instance, the owner is meant to provide all necessary training to the successor and hand over responsibility theoretically. However as suggested by Sharma et al., (2001), initiating the succession process will drive incumbents to confront their managerial mortality and significant lifestyle change. Consequently many incumbents are reluctant to step aside and may become the greatest single barrier to succession

Within a single family firm there may be multiple owners who are themselves different, some being managerial for instance while others are paternal (Morris et al., 1996). This was viewed as likely to influence the overall culture of the business. Similarly, over generations, the mentalities of family owners may change dramatically. Second or third generation sons and daughters who grow up in the context of an established business may have a different attitude towards ownership or method of managing the business. Owners in different generations as well as owners of different businesses will have a different way of operating and this affects the family firm. This theme was explored further in the next section.

### **2.8.3.2 Role of Ownership and Entrepreneurship**

Fletcher (2002) described entrepreneurship as organisational emergence adding this dimension of entrepreneurship to the management/family/ownership three dimensional

development model of Gersick et al., (1997). Therefore it was necessary to examine the impact of entrepreneurship upon Market Orientation. Fletcher quoted that for smaller family firms it is important to find a strategic balance within the ownership, entrepreneurship and family life cycle to balance business development needs while retaining the creativity, energy or uniqueness that is distinctive of their smallness. It is also important to be alert to new, distinctive or innovative ways of working that energise and enable people in family businesses to manage the balance between ownership/family and business issues. Otherwise the family business can become stagnant due to attention being focussed purely on managing family ownership or purely on running business operations. Thus a contrasting feature of how family owned SMEs are managed is the combination of conservative practices coupled with entrepreneurial traits displayed particularly by owners/managers of family owned SMEs (Fletcher, 2004). However whether a combination of entrepreneurship, family ownership and conservative practices enables Market Orientation would need to be examined. This was because, the processes that characterise entrepreneurship such as quick innovation, profit focus however were likely to contradict a longer term focus and planned execution which characterise Market Orientation whilst the entrepreneurs' growth agenda could contradict with the business stability goal of the family owner. Hill (2001b) contended that the entrepreneurial sales person who is aggressive, opportunistic, highly motivated and high in the competencies of vision, creativity and intuition is most representative of the type of selling activity practiced in SMEs. It is said that entrepreneurs are not always receptive to marketing unless there is a need for growth/expansion or profits/revenue level off. However Morris and Paul (1987) indicated that companies that score highest in terms of entrepreneurial orientation tend to be more Market Oriented while at the same time suggesting that marketing activities of small firms tend to be related to their organisational culture. It was aimed to test these differing views in this research.

### **2.8.3.3 Types of Owners**

Managerial owners respond to market opportunities, focus on profit and set up efficient and frequently, quite complex organisational structures. They reward their employees based on merit rather than paternal relationships. They also prove their own worth through work rather than seek legitimacy on the basis of their acquired inheritance. (Goffee, 1996)

Entrepreneurial owners are highly Market Oriented in terms of external customer focus but their businesses have under developed control systems. Most are founder-owners who have expanded their businesses rapidly. They want to avoid the problems they associate with the development of complex management structures. Typically they do not regard themselves as owners. In the case of entrepreneurial owners also, business decisions are in response to market conditions and relationships with employees and employee remuneration are both based on employee contributions towards business performance and profit maximization (Goffee, 1996).

Paternal Owners tend to have inherited long established businesses which have typically experienced steady growth. Market Orientation is low according to Goffee (1996) but control systems have been developed which despite the existence of formal rules emphasize the social and moral obligations of employment. Paternal owners do not simply run profit making enterprises; they also see themselves as having social responsibilities for employees, customers and the wider society.

Family Custodial owners have inherited well established businesses which have experienced little growth and sometimes stagnation over recent years. Either through choice or incompetence their firms have a low market orientation and poorly developed organisational structures. These owners have little ambition for growth or change; traditional practices tend to persist regardless of operational efficiency. Their personal involvement is low; tried and trusted managers run the business while owners develop life interests such as sports, cultural activities, community involvement and so on outside work (Goffee and Scase, 1991). Many began as entrepreneurial owners exploiting a market opportunity, but fail to develop management control systems which can cope with growth. Most will fail as a result of these shortcomings but a small minority may develop the organisational mechanisms necessary to make a successful transition to managerial ownership. From this position, substantial growth, often to public status, is possible. Over time, both entrepreneurial and managerial owners may slip into the paternal mode, often sacrificing market opportunities in order to sustain employment relationships characterised by loyalty and mutual responsibilities. This classification is summarised below along with characteristics of each type of owner in Figure 2.4. To consider how Market Orientation of a family owned SME is affected by the type of owner this was superimposed on the stages model in SME marketing of Figure 2.3 as below.

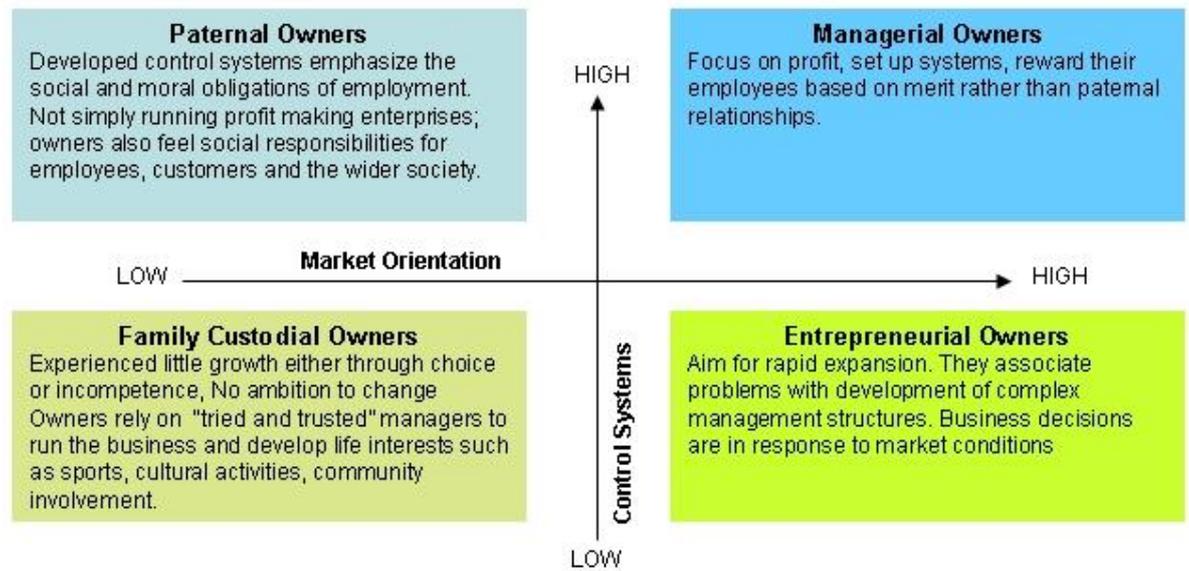


Figure 2.4 - Types of Owners within Family Owned Firms (Source: Based on Goffee, 1996)

## 2.9 Effect of family ownership upon Market Orientation in Family Owned SMEs

### 2.9.1 Resultant Family Culture in the company

As per the Market Orientation Framework developed in the first section and represented in Figure 2.1, Market Orientation involves implementation of a corporate culture encouraging Market Oriented behaviour aimed at gathering, disseminating and responding to information on customers, competitors and the wider environment in ways that add value for customers and shareholders and other stakeholders. However it was evident that the characteristics of family ownership including different types of owners, impact of entrepreneurship and role of succession influence the company culture and result into a family oriented culture. It was necessary to assess therefore the effect of family culture upon Market Orientation and evaluate whether they were conflicting or it was possible to adopt Market Orientation suitable to conditions of family ownership and if so then how.

Fletcher (2002) states that family culture in a company can be complex and shaped by contradictory processes that are always contingent and being negotiated. Culture making is a multi stage process of transferring the assumptions and theories of the owner/founder about how to run a business to a wider group of employees. Family oriented cultures are characterised by very close relationships amongst staff members that are hierarchical but at the same time personal, intimate and face to face. A family culture may be developed in a

company even if it comprises mostly of non family members who can be socialised to cultivate family values even without blood ties. In this environment, behavioural habits are intuitive. An outsider may take time to grasp this culture (Storey, 1994).

A further literature review was undertaken in order to understand how this strong family culture and the resulting attitudes and behaviours can be aligned with features of Market Orientation and the researcher found the role of changing the owner's attitudes first as paramount after which some characteristics of the family culture such as loyalty, control, informal communication were likely to enable Market Orientation. Succession planning whilst likely to lead to discontinuity in previous objectives, structures, expectations etc. could also be an opportunity to introduce Market Oriented behaviour within the family culture without making radical changes and enable ease of acceptance of change. In this context, Schein (1984) has stated that the success of a business will be shaped by the ability of the founder to create and communicate a workable culture. Founders/owners get their own approaches and assumptions embedded within the actions, thoughts and feelings of others in their business. The process involves both conscious and deliberate action as well as unconscious and unintended action and Schein has described some mechanisms that embed and reinforce the family culture such as the role of the leader in communication, measurement, organisational operations, coaching, recruitment etc., the formal and informal statements about the company philosophy as well as the organisational structure, systems and procedures. Thus the influence of the owner/founder and the resulting traits, characteristics, systems and practices developed in the company were again highlighted as important in the literature about family owned SMEs. In terms of goals of the founder, family, business and needs of entrepreneurship it was also necessary to move the focus from the family to the business and find a balance between entrepreneurial traits like speed, focus etc. and managerial practices to achieve Market Orientation suitable to family owned SMEs. This is covered in the next part of the review.

## 2.9.2 Family Firms vs. Business Firms

In those family firms which put business first, economic rationality dominates decision making. Their decision making process is decentralised. They plan strategically; they are willing to have non family shareholders and managers; they are willing to take some risk and are generally more innovative than firms that focus more on family interests (Reid et al., 1999). These firms often limit the involvement of family members in the family

business to two or three members who demonstrate commitment to the business. This reduces conflict, rivalry and tensions thus improving the efficiency of the decision making process (Fletcher, 2002). Firms which place the family before the business are more risk averse and unwilling to promote non family members to the senior management team internally. Their decision making is more centralised and focussed as much or more on the family welfare as on the business. Family first businesses are often characterised by a highly developed sense of loyalty to the owners which may at times take precedence over rationality in day to day operations. Diversification is the least likely strategy in this case. Owners may even prefer to limit the growth of the firm if it threatens their own sense of control and ownership (Storey, 1994). A third group responds to both economic and family considerations equally. Orientations may change as the business grows over time. As stated by Reid et al., (1999) and Kotey (2005), family firms are more profitable than non family firms when they are still small businesses but that is no longer the case at the medium firm level.

This difference in type of firms was aligned with the stages of SME in Figure 2.3 by the Researcher and accordingly it was evident that along with the family culture arising from attitudes of the owner/manager and resulting behaviours of the firm, the focus of the firm influenced by the type of owner resulting in different stages of the company also impacts Market Orientation. These findings were not contradictory but rather similar to findings in the review of literature about SMEs. Next the necessary alteration or interpretation of these attitudes, behaviours and stages of the company for adoption of Market Orientation were examined.

## 2.10 Factors Affecting Adoption of Market Orientation in Family Owned Firms

The influence of the founder/owner and the family on business decisions results in several typical characteristics displayed by family owned businesses which make them different from non family firms in terms of their operational management, strategic planning, internal organisation, communication methods etc. As described the above literature emphasises not only ownership, leadership and control but also the role of attitudes, behaviour leading to specific family traits and of management practices and systems in shaping how family businesses operate and in differentiating them from non family firms

(Westhead and Cowling, 1997 and Ward, 1987). Thus in this review, each of these elements was explored in greater detail starting with typical family attitudes and traits.

## 2.10.1 Attitudes and Behaviours

### 2.10.1.1 Focus

Successful family firms usually maintain exceptional focus on their core business or markets (Schultz et al. 2001). By sticking to their knitting, successor generations capitalize on knowledge, relationships and infrastructure that have withstood the test of time. As noted by Allio (2004), family businesses are not always swayed by market opportunities that may crop up. Their strategy is to stay true to their roots and their reluctance to diversify in business is also related to pride in carrying forward the same tradition for many years. Allio (2004) described this as a virtue that differentiates family businesses in the market place positively in the views of customers and brings them customer loyalty. Family firms tend to be less global or internationally oriented. This tendency is attributed to family proprietors' conservative attitudes and aversion to risk; pursuit of strategies relevant to local markets; tight capital; poorly developed information and control systems and the absence of the required skills for exporting (Kotey, 2005).

### 2.10.1.2 Speed

Common attitudes among family owned businesses are reflected in their general business decisions such as their ability to take quick decisions owing to lack of detailed procedures which gives them the advantage of speed. According to Allio (2004), family firms tend to move more quickly by avoiding bureaucracy. They often offer a crystal clear hierarchy or a relatively small set of decision makers so decisions can be made swiftly with little debate. Also there is little reliance on a board of directors, advisors or outside consultants. Whilst Goffee (1996) lamented the absence of formally defined decision making processes or any other processes, in the view of Allio (2004), formalisation may be thought to undercut motivation and undermine family relationship. Hence family firms are characterised by a high level of informality.

### 2.10.1.3 Communication

Whilst day to day decisions may be arrived at quickly it is usually a different matter when it comes to long term planning. Family firms of all sizes are reluctant to adopt formal management practices. The desire for privacy deters family firms from planning since planning requires sharing of confidential information to a degree (Kotey 2005; Mintzberg

1994). Management tends to be centralised with one or few individuals dominating a secretive decision-making process and discouraging dissention to keep control (Kotey, 2005). However despite restricted communication, owing to the flat simple structures with the owner-manager at the centre of all decisions and authority, family firms tend to have paternalistic cultures and an informal atmosphere (Mintzberg, 1994). The owner/founder assumes the role of a father figure who has the authority, the superior knowledge and the sense of direction to lead the rest of the company.

#### **2.10.1.4 Loyalty**

As a result of the paternalistic informal atmosphere, close inter-employee relationships and high motivation levels among staff are observed according to Storey (1994) and Goffee (1996). Morris et al. (1996) also stated that relationships within the family are generally positive, with limited rivalry or hostility. High levels of trust and shared values are in evidence. Staff turnover is low and personnel with many years of experience in the same firm enjoy comfortable relationships and a sense of belonging in the firm. The feeling of being part of one big family inspires loyalty, commitment and trust which lead to good team work (Allio, 2004). The same loyalty is also carried over to their business partners. Family businesses value relationships with other suppliers, vendors that they purchase from and are very reluctant to take up the search process again once a vendor or supplier has been selected and performs satisfactorily. They identify strongly with other family businesses. Owners of family firms interact with each other frequently at events established to facilitate such exchange with other family SMEs and trust that these networks help to exchange information about business practices, products and vendors. Family business owners are more likely to engage in post purchase word-of-mouth than non family businesses and they make good repeat customers (File et al. 1994).

#### **2.10.1.5 Control**

Family oriented firms are reluctant to accept external sources of capital for fear of diluting family control (Reid et al., 2001). The desire of proprietors to maintain ownership and control of the firm within the family means long term survival underlies decisions in all aspects of the firm. This makes it easier to emphasize long term performance goals as opposed to short term profit goals (Kotey, 2005). Owners prefer to limit growth of the firm if it threatens their own sense of control and ownership. They operate a low risk

conservative business unlikely to focus on diversification as their main growth strategy (Ward, 1987).

It appeared from these characteristics that the owner of the business essentially controls or influences every aspect of the business be it strategic future planning, internal operations or management practices within the firm. The future of the firm is inextricably linked to the goals of the founder/owner of the firm according to Kotey (2005) and File et al., (1994) gave the entire credit and responsibility for business stability to the owner/proprietor in stating that family firms represent relatively stable systems so long as the founding entrepreneur is in place. They subsequently become destabilized as a function of such triggering events as the decision to bring a family member into a senior position or the founder's decision to disengage. The result can be confusion and conflict among the family members and professionals employed by the firm.

The above attitudes and traits would determine the extent of Market Orientation that would be appropriate for family owned SMEs. Also the systems and practices in place within family businesses were reviewed as below since these too were identified thus far as influential in adoption of Market Orientation. It was attempted by the researcher to summarise these findings as represented in Table 2.2

## 2.10.2 Systems & Practices in Family Owned Firms vs. Market Orientated Organisations

### 2.10.2.1 Planning System

Ward (1987) concluded that family firms have conservative views and are less likely to plan strategically whether it is for decisions about the future such as growth strategies or day to day tactical decisions. Proprietors of family firms place business longevity and the well being of family members ahead of growth and wealth maximisation as business goals. Although growth goals may not feature strongly for both family and non family small and medium firms, when the two are compared, non family firms would be more inclined to grow their firms than family proprietors. This may explain the declining numbers of family firms as firm size increases and their dominance at the small end of the size scale (Kotey, 2005). Storey (1994) stated that the desire for stable operations and limited growth is stronger within small family firms as compared to non family firms because it supports the goals of maintaining family ownership and control of the firm in the long term. Family proprietors dislike confronting change and risk, thus they avoid strategic planning and

muddle through their business on a daily basis. The desire for privacy deters family firms from planning as planning requires sharing what might be considered confidential information. Family owners often do not appreciate the need for stringent internal control and reporting procedures aimed at improving their own accountability (Kotey, 2005).

Shapiro (1988) stated that in a Market Oriented organisation strategic and tactical decisions are made interfunctionally and interdivisionally. These are in response to intelligence about the market and the response must be organisation wide (Kohli and Jaworski, 1990). Also according to Kohli and Jaworski (1993), the antecedents for market orientation include formalisation, centralisation and departmentalisation. Hooley et al., (1990) concluded that Market Oriented firms usually adopt aggressive growth strategies. There appeared therefore to be a clear contradiction between the two and family firms would have to introduce more planning but perhaps implement in a manner suitable to the need of owners to maintain control etc.

#### **2.10.2.2 Management Practices**

It was observed that family firms demonstrate speed in their operations. As a result day to day decisions may be arrived at quickly. But as observed by Fletcher (2002) the absence of formally defined decision making processes gives the owner the opportunity to exercise discretion and to implement arbitrary decisions. In effect senior managers have the freedom to decide only up until the point where the owners decide differently. Owner may still frequently intervene and also go around the hierarchy which undermines the authority of some senior managers on occasion. Either they accept this condition or typically they must leave (Fletcher, 2002). Thus a philosophy of delegation and decentralization may be stated but still not be implemented. As stated by Goffee (1996) owners can get away with sending contradictory messages about the managerial control of the enterprise as they are granted the right to be inconsistent and in any case are too powerful to be confronted. Delegation if implemented is very limited and staffs are not familiar with a formal set of management practices and codes to follow while making business decisions. Their reliance on the owner is greater as a consequence of this. In spite of this family firms of all sizes are reluctant to adopt formal management practices (Kotey, 2005). These insights raised the question whether this style of management typically observed in family firms can be reconciled with Market Orientation.

### 2.10.2.3 Control Systems

Family businesses have a different way of reinforcing control and accountability through peer pressure, family pressure and staff loyalty. Senior managers or owners are so closely identified with the business that they take on personal responsibility for the business decisions and are likely to therefore act more responsibly (Allio, 2004). Again the staff are aware that the absence of formally defined decision making processes gives the owner the opportunity to exercise discretion and to implement arbitrary decisions. So although controlling measures are not formally put in place, employees do accept the authority of the owner who is thereby able to rein in irrational or irresponsible decisions by the employees. As such senior managers do enjoy considerable autonomy in day-to-day decision making without challenging the owner's prerogatives according to Goffee (1996) who claimed that even if this appears democratic, it may actually serve to reinforce the owner's control.

In a Market Oriented organisation, tasks and roles would be clearly defined and different departments would be expected to communicate between themselves to arrive at common decisions to achieve interfunctional coordination rather than looking for arbitration from the owner each time, (Narver and Slater, 1990). Goffee and Scase (1991) stated that a compromise would be to balance the experience of owner-founders with the expertise of the managers recruited as the firm grows in decision making and implementing managerial control systems.

### 2.10.2.4 HR Systems

The owner/founder assumes the role of a father figure who has the authority, the superior knowledge and the sense of direction to lead the rest of the company. Staff turnover is low and personnel with many years of experience in the same firm would enjoy very comfortable relationships and a sense of belonging to the firm (Goffee, 1996). Close inter-employee relationships impact their performance. Staff members work hard to ensure that others in the company are not inconvenienced and peer pressure replaces formal metrics of performance.

Goffee and Scase (1991) found that non family managers are socialised to accept family values. Job descriptions are fluid and everyone is expected to chip in whatever task needs to be done if required. Staffs are likely to be generalists rather than specialists and expected to be willing to 'get their hands dirty'. This aspect of the family firm culture enhances trust

within the firm. The feeling of being part of one big family inspires loyalty and commitment which in turn leads to good team work. However there are other factors which can negatively impact the morale of the staff and their motivation levels. Researchers cited sibling rivalry, conflict and feelings of jealousy as commonly viewed features of a family-owned business culture (Storey, 1994).

Allio (2004) on the other hand criticised the nepotism and favouritism that is prevalent in many family businesses. When family members are given jobs they cannot handle, firms often perform an elaborate dance of accommodation to protect them, usually in vain. Favouritism prevails in hiring and promotion due to lack of accountability and systems. This demotivates professional managers. However in Market Oriented firms, the owner is tasked not with trying to breed generalists but to enable the specialist to become effective and to ensure the coordination of different specialist departments in order to focus on customer needs across the entire organisation. This was another contradiction highlighted between family ownership and Market Orientation.

#### **2.10.2.5 Compensation Systems**

File et al. (1994) stated that within family businesses, ownership and management are normally overlapping and family members are likely to consider their firms as entities to achieve their own interests and opportunities. Thus it is not unusual to observe that family members, especially those top management members, charge higher remuneration from businesses contradicting business performance. This unreasonable charge could cause conflicts between family and non family members. As described in the previous section, management practices may appear to be democratic on a day to day basis in so far as making practical operational decisions may be clearly up to the managers. However the owner may intervene at any point in which case the manager must be prepared to back off. Owners ensure that managers who are agreeable to this arrangement continue whereas others may have to leave the organisation. Thus as Goffee (1996) put it, the commonly observed 'happy' and 'open' atmosphere of family firms is partially a function of this selection process where employees are of a similar mentality. The disadvantage is the lack of independent and diverse set of people with the ideas and the freedom to operate within a well coordinated team.

Rewarding people based on the market value of their position is common in Market Oriented organisations as is investing in their training according to Hooley et al., (1990).

The observations of Astrachan and Kolenko (1994) however were that founder managed firms rarely use formal performance appraisal procedures and prefer a centralised appraisal system which rewards people for membership of the family rather than their contribution to the firm.

#### **2.10.2.6 Information Systems**

Market Orientation is defined by Kohli and Jaworski (1990) as the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organisation-wide responsiveness to it. Thus communication of information and joint action upon that information is an important component of market orientation. Market Orientation also stipulates that decisions are made with reference to customer needs and market demands rather than based on what a family owner finds convincing or otherwise. But this is not typically observed in family firms.

At the small scale, the founder's autonomy reduces the need for formal reporting and control systems, as there is no need to account for his/her actions to disinterested outsiders (Kotey, 2005) Management practices are informal and documentation minimal in family firms. Written policies and procedures are few as operations are based on the changing visions and ideas of the proprietors. Management tends to be centralised with one or few individuals dominating a secretive decision-making process and discouraging dissent in order to maintain control. Also as pointed out by Fletcher (2002) and Allio (2004) managers in a family business know who to go to in order to secure funding because there are not clearly defined processes. They usually know how to package their proposals in the short hand that family members respond to.

### **2.10.3 Summary: Market Orientation and Family Ownership**

It could be stated in conclusion that whilst family and non family owned small firms share certain common characteristics they also exhibit distinct differences from the outset. These differences in the cultural attitudes, behaviours and systems found in family owned SMEs contradicting Market Orientation are due to characteristics of family ownership including the unique strong influence of the owner, effect of lack of succession planning and entrepreneurial traits in family owned SMEs. These contradictions were summarised as below in Table 2.2 and thereafter it was attempted by the researcher to summarise the ways

to overcome these contradictions and find the causes and means that enable Market Orientation in family owned SMEs according to the given literature.

	<b>Family Firm</b>	<b>Market Orientation</b>
<b>Planning</b>	Focused on traditional core business	Focused on identified strategies for customers
	Conservative, risk averse	Strategic and as per business objectives
	Stability goals over growth goals	Ambitious growth goals
	Unilateral decisions by owner	Inter-functional interdivisional decisions
	Lack of succession planning	Planned handover and delegation
<b>Management</b>	Low bureaucracy, speed in tactics	Quick, responsive to dynamic market needs
	Very limited delegation	Delegation of authority recommended
	Clear hierarchy and informal ways	Clear hierarchy and some formalisation recommended
	Focus on family values and needs	Focus on business objectives
<b>Control</b>	Owner exercising strict control	Some control and accountability measures recommended.
	Regular owner intervention in day to day operations	Day to day autonomy recommended
	Control to maintain lifestyle and authority	Measures to ensure improved customer focus and service and internal team work
<b>HR</b>	Loyal staff, high staff morale	teamwork and high staff morale required
	Family like atmosphere in the firm	Inter-functional coordination between specialists, clear role allocation
	Generalists - everyone does everything	
<b>Compensation</b>	Favouritism to family members	market based compensation
	Rewards people for loyalty to family	Rewards people for delivering to customer
	Recruits based on family needs also	Recruits based on market needs
<b>Communication</b>	Internal structures and reporting processes not necessarily in place	Interdepartmental communication recommended
	Secretive and limited communication	Open communication recommended
	Informal atmosphere, close inter-employee relationships	Close inter employee relationship leading to inter-functional coordination

**Table 2.2 - Difference in Systems & Practices in Family owned Firms vs. Market Oriented Organisations**

Kotey (2005) indicated that successful adoption is influenced both by conditions within the firm (e.g. state of maturity, economic health) and family dynamics (e.g. closeness of family interdependencies among family members, sibling rivalries, financial conditions of family members) Conditions within the firm likely to affect adoption were likely to include well established organisational routines, management teams or structures created to support stability, and particular practices to improve internal systems so as to facilitate the throughput of work, responsiveness to customer requests and reducing costs within the family owned SME environment (Fletcher, 2002). Also Fletcher described some measures

taken by family firms to address the issue of organisational capability as part of her ethnographic research. The changes ranged from initiating 'cultural change', implementing 'investors in people', environmental waste management/assessment, introducing a business process reengineering programme and business plan with the help of Business Link, computerising payroll and accounts systems, producing monthly accounts, improving internal communications, encouraging team work, sending staff on short training courses dealing with stress busting, empowerment and delegation, undertaking debt or analysis list, building a database of all major engineering projects in the region and improving response time for customer queries and tendering. However these can only be successful according to Fletcher (2002) and Kotey (2005) if undertaken in conjunction with an effort to change the family culture as well. Otherwise family dynamics such as the relationship between the management of the firm and the family increase the complexity of organisational and management problems. In this context, File et al., (1994) have stated that family businesses undergo characteristic stages involving the transition of ownership or succession, that they display distinctive patterns of power and authority that they create a more 'family-like' environment for employees and that decision-making within the business is affected by the family system. As per Allio (2004) it is known that a family like environment may make employees more motivated and loyal. A resulting positive team spirit would enhance the development of Market Orientation since Hooley et al., (1990) posits Market Orientation as the organisation wide effort and responsibility for the customer.

The researcher reviewed literature describing the process of firms being transitioned from a family first family owned business to being a business first family owned business and finally to being a Market Oriented business reiterating the model of taking the firm through stages to adopt Market Orientation. The family owned firms may slowly experience a transition as the owner in the same generation or in succeeding generation changes from being a paternal owner to an entrepreneurial and finally a managerial owner as the SME changes in stages developed in Figure 2.3. Kotey (2005) recommended the development of all three dimensions of the firm, i.e. the family, the business and the individual family members as important to the value creation and development of market orientation in the family firm.

## 2.11 Framework: Market Orientation in family owned SMEs

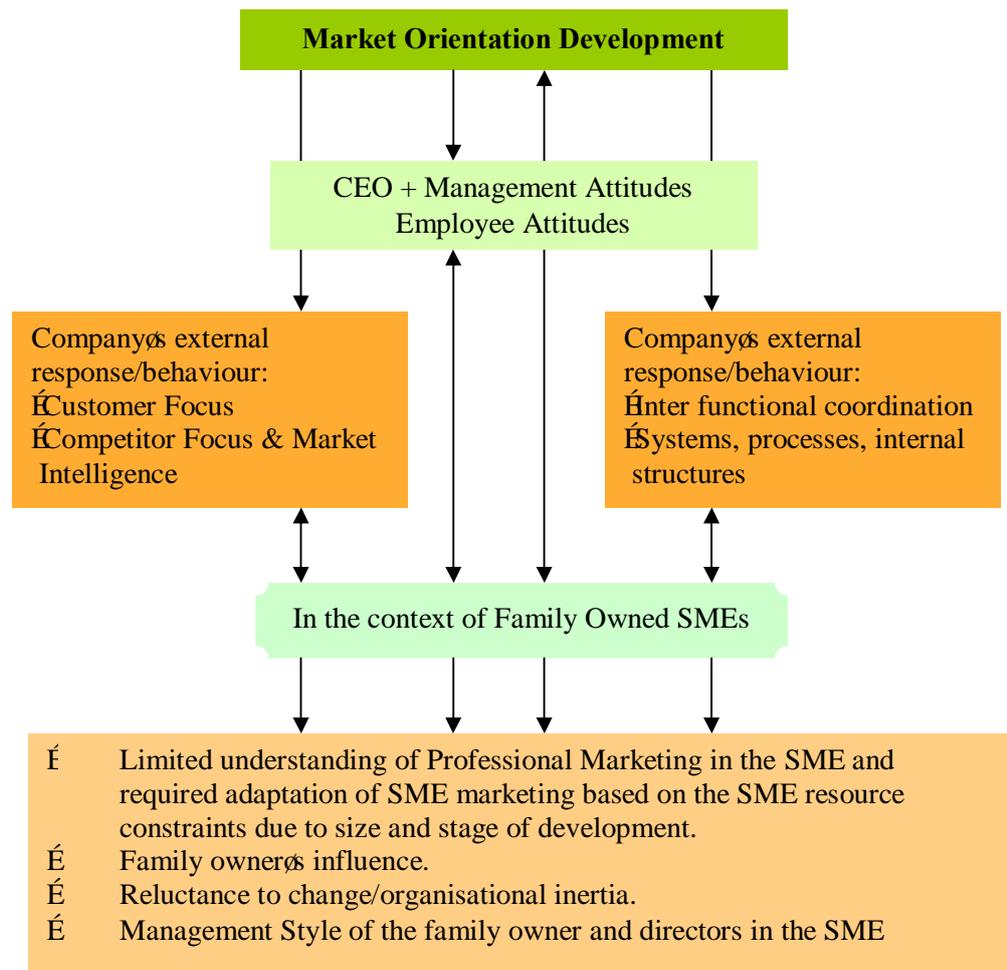
This literature review followed the process of examining the nature of Market Orientation to come up with a summarised framework consisting of attitudes based on the company culture and resulting behaviours and systems in Figure 2.1. Some details regarding these attitudes, behaviours and systems constituting adoption of Market Orientation were included in section 2.4 as concluded from writings by researchers such as Hooley et al., (1990), Kohli and Jaworski (1990), Narver and Slater (1990). Piercy (1995), Gray and Hooley (2002) and Castro et al., (2005). The primary conditions in the context of family owned SMEs were examined and their impact on Market Orientation summarised using the stages model. SME conditions were summarised in Figure 2.2, Figure 2.3 and the influence of family ownership was linked to the same model in Figure 2.4.

These also led to determining that the relevance of universal marketing concepts remained mainly unchanged but in implementation of Market Orientation different means would have to be adopted. Contradictory attitudes, behaviours and systems in place within family owned SMEs were reviewed to determine the changes in each necessary for adopting Market Orientation. It was noted that Reid and Adam (2001) and Reid et al., (1998) give the context of change management to Market Orientation development in family firms in saying that managing change has become a crucial element of competitive advantage as it is only by guiding people through change as fast and as painlessly as possible that the business can respond to the market. This process of change is characterised by a move from entrepreneurial to professional management. A shift in the orientation of family proprietors over time from the family to the firm would assist in adoption of Market Orientation. Whilst it is observed that all family owned SMEs do not aim to grow it is concluded by the Researcher that they would still need to change to adapt to changes in needs of their existing customers in order to remain successful. At the same time by summarising existing characteristics and contradictions of family firms in Table 2.2, it was noted that these could impact the adoption of Market Orientation in terms of not only method of implementation but also extent of implementation.

The Researcher thus summarised the factors and concepts identified in the literature and grouped them to identify typical characteristics of family ownership and small business environment likely to impact development of Market Orientation as follows:

- Strong Influence of the Owner's competencies, motivation, belief, attitude and objectives leading to greater focus on personal relationships with the owner
- Management Style of the Owner/Managers in terms of decision making, planning, delegation, communication and implementation that was currently more patriarchal, informal, unstructured, spontaneous and reactive.
- Different impressions, expectations, understanding of Market Orientation and its role in the business whether central or peripheral, its importance due to the smaller size and scope of operations of the business.
- Reluctance to change across the organisation as the Owner prioritised retaining authority of the family and a family focus over Market Orientation even though he recognised its importance due to increasing growth.

In order to analyse the nature of Market Orientation in the context of family Ownership in Small and Medium sized enterprises it was necessary to assess the conditions in the case study with respect to these factors and to observe the process of change vis-à-vis these factors if any.



**Figure 2.5 - Nature of Market Orientation and factors influencing Market Orientation Development**

Based on the literature review the Researcher summarised elements comprising Market Orientation in family owned SMEs and also highlighted the core causes and means likely to be influencing its adoption as shown in Figure 2.5. This is the Researcher's own synthesis of the diverse themes in the literature reviewed to create a conceptual framework based on the frameworks previously created by the Researcher to integrate the stages model in the SME literature with the influencing factors of family ownership. It is proposed to be used as a template for analysing Market Orientation and based on this an assessment of the nature of Market Orientation within the case study family owned SME units and exploration of the transition and extent of development of Market Orientation in the same was carried out. This literature review helped in determining the process to follow in the field work but did not lead to pursuing of preconceived theories.

## 2.12 Updated Market Orientation literature

The following is an updated review of literature on Market Orientation appended at the end of the research project with a particular focus on implementation based on the gap in this area identified during the MPhil research of existing literature and relevance to the aims of this study

Raaij and Stoelhorst (2007) provided an excellent review of developments in the literature. They classified the research in this area of Market Orientation into the following streams. Firstly the definition of Market Orientation which has been covered by prominent researchers such as Kohli and Jaworski (1990), Narver and Slater (1990) and Gray and Hooley (2002) as reviewed previously within this study also. Secondly the causes and effects of Market Orientation which have also been reviewed previously in this study as the antecedents and consequences of Market Orientation (Jaworski and Kohli, 1993; Narver and Slater 1990 and Kirca et al., 2005). The third stream listed by Raaij and Stoelhorst (2007) referred to measurement of Market Orientation. This aspect was also covered in this study previously noting that authors such as Kohli et al., (1993), Deshpande et al., (1993), Narver and Slater (1990) and Hooley et al., (1990) developed measurement scales or models to identify the extent of successful Market Orientation adoption. The fourth stream pertains to the question of how Market Orientation may be implemented. In this study the researcher had identified this area as lacking in sufficient research at the start of this project. Raaij and Stoelhorst (2007) also acknowledged the lack of sufficient insights in this stream. They quoted Day (1994b, p. 37) and Harris (2000, p. 619) to state that the characteristics of programs to successfully build Market Orientation are not currently available in the literature and until these processes are fully understood the topic of Market Orientation is likely to remain somewhat unclear to theorists and practitioners.

This gap due to lack of understanding of how to adopt Market Orientation was independently identified by the researcher also during the initial literature review in this study and later in the conclusions chapter in section 6.3.4 these similar findings and investigations by Raaij and Stoelhorst (2007) were referenced. Their three stages of implementation namely diagnosis (how to assess a firm's Market Orientation), intervention (how to improve Market Orientation) and evaluation (how to evaluate the effect of the implementation) were mentioned in section 6.3.4. Also seven enablers were identified by Raaij and Stoelhorst (2007) as important for Market Orientation namely structure, internal

and business processes, ICT system, reward system, leadership, behavioural norms and competence management. Thus the similarities to this research noted in terms of process and conclusions further validated the successful process of Market Orientation adoption detailed in this case study.

The limited literature available regarding implementation was classified by Raaij and Stoelhorst (2007). Out of this classification the information processing approach by Kohli and Jaworski (1990), the strategy and support processes approach by Ruekert (1992), the cultural change by Narver and Slater (1990) were explored in detail in the previous literature review. Some of the other relevant approaches from more recent literature are now reviewed in further detail in this update with a view to comparing with the approach adopted in this project.

Gebhardt et al., (2006) conducted a longitudinal study in four firms to develop a theoretical model that explains how firms create Market Orientation. The model provided four path-dependent stages of change namely initiation, reconstitution, institutionalization and maintenance. The initiation stage focussed on planning for change by a small group of powerful executives. Stage two was comprised of building a consensual support for change based on promotion of new values, norms and shared market experiences to achieve organization wide implementation of the plans for change. In the third stage of institutionalization the change was made more concrete through changing organizational structure, processes and formal rewards. Finally in the fourth stage attention was given to maintain the Market Orientation built and create mechanisms to sustain it. This analysis was premised on the idea that creating a Market-Oriented organization is a process of cultural transformation. It seemed to be interlinked closely with change management and revealed the need to study other relevant themes such as organizational behaviour and change management alongside Market Orientation to further understand its impact and implications. This was also inferred by the Researcher in this study and the need for further investigation of similar topics was highlighted in section 6.3.4. The emphasis on the role of intra organisational distribution of power and organizational learning given by Gebhardt et al., (2006) appeared to be a continuation of the learning approach provided by Narver and Slater (1995) and the attention given to internal cultural and managerial behaviours similar to Harris (2002) although it was felt that this latter was not sufficiently addressed in depth.

A similar approach of cultural transformation as Gebhardt et al., (2006) was recommended by Kennedy et al., (2003). They conducted an ethnographic study in an educational environment to report on customer orientation implementation. They studied senior leadership, interfunctional coordination and the use of market intelligence as the key determinants for developing Market Orientation theory. Senior leadership's catalytic role in the transformation to a customer orientation was reconfirmed. They also stressed the necessity for a continuous circuit between senior leaders to the workers through on-site leadership and this was found similar to the required role of middle management (Branch Managers) by the Researcher in this case study. Another similarity with this research was the prominence attributed to decentralised intelligence dissemination and enhanced interdepartmental connectedness achieved through the commonly acknowledged importance of customer focus. The centrality of customer requirements and performance feedback from customers in achieving interfunctional coordination was supported by Kennedy et al., (2003).

The missing gaps identified in the research by Kennedy et al., (2003) were as follows. They found reward systems and adoption of formal rules to be important concerns in the context of Market Orientation but stopped short of making specific recommendations. Moreover the internalized customer orientation and philosophical development of true aim of the organization suggested by Kennedy et al., (2003) were similar to the idea of adopting Market Orientation as a philosophy explained by Hooley et al., (1990). However this extent of Market Orientation adoption was not experienced by most sites of this case study organization.

Thus in this context it was felt that it was necessary to consider the degree of Market Orientation development and the work of Harris (2002) was again found to be relevant and useful for this as well as for focussing further on the role of internal attitudes and behaviours as mentioned above.

Harris (2002a) conducted a qualitative research aimed at providing empirical insights into the variations in strategies, tactics, methods and emphases of management approaches to developing Market Orientation. He emphasised the need to view Market Orientation as a continuum and reviewed existing implementation approaches. He found that previous work in this field was either theoretical (Kumar et al., 2000; Jaworski et al., 2000) or prescriptive regarding required changes using secondary data (Day, 1999; Webster, 1994b). Based on

this he cited a need for empirical research. It was noted that Narver et al., (1998) who associated contemporary change theory with Market Orientation and favoured formal learning programmes as well as experiential learning approaches for Market Orientation development also lamented the lack of research into how firms actually go about developing a Market Orientation.

Using twelve case studies Harris (2002a) developed five management approaches for developing Market Orientation. These five approaches were based on deep rooted attitudinal heart and mind transformation of staff, an emphasis on how employees act rather than how they think to achieve Market Oriented behaviours, development of Market Orientation through the use of a common customer focus built on shared customer intelligence, change through political tactics to achieve Market Orientation and finally promoting competitor focus to bring about change and develop Market Orientation.

Thus variation in approaches based on characteristics of the firm and environment to improve levels of Market Orientation were recommended by Harris (2002a). It is suggested by the Researcher that this can be compared to the framework of stages of Market Orientation created in this study. In this study also it was concluded that stages of the firm varied based on internal characteristics and external conditions and accordingly observed characteristics of Market Orientation development differed. The extent of Market Orientation adopted was found to be reliant on similar factors such as:

- improving understanding of Market Orientation in context through experiential learning and training,
- managing resistance to change and overcoming barriers through communication and improved organisational systems.
- level of adoption based on the acceptance of top management and measures taken by management

Harris (2002a), (2002b) conducted extensive research into the impediments to Market Orientation including the actions, attitudes and behaviours of managers and the organizational characteristics and systems of the firm. He emphasised the importance of political impediments and deliberate resistance as barriers to developing Market Orientation. Also Piercy (1989) theorised that market-led change can be managed through wielding and exploiting political power to control structure, information and process. The important internal considerations for developing Market Orientation indicated in this case

study corroborated with the political arguments of Harris and Piercy, the reference to intraorganizational power by Gebhardt (2006) and the the programmatic and market-back learning of Narver et al., (1998). The external factors of customer focus, competitor focus and intelligence dissemination indicated above by Kennedy (2003), Harris (2002) etc. also formed the basis for improving Market Orientation in this case study all within the context of family owned SME environment. This study therefore provides comparative insight into Market Orientation development in the context of family owned SMEs.

## 3. Methodology and Method

### 3.1 Introduction

This section consists of an examination of a wide array of methods available for research and the rationale behind the selection of qualitative methods and methodology based on their suitability to the aims and context of this research and philosophical assumptions underpinning them as suggested by Easterby-Smith et al., (1991). According to Yin (1989) the chosen research design must logically link the data to be collected to the initial questions of the study. In choosing the research design, Rugg and Petre (2007) recommended that qualitative methods with a focus on descriptive research offer a more holistic perspective particularly for small scale study whereas quantitative research is analytical and focussed on getting answers to more specific research questions based on a large scale study. Thus the choice and suitability of qualitative design seemed to fit with the aims and context of this research focused on the nature of Market Orientation in family owned small and medium sized Enterprises.

Fletcher (2002) stated that qualitative field research is especially suitable for research on family businesses since they are characterised by a combination of complex structure, emotionally coloured culture and diffusion of roles. Research on family businesses requires methods that are capable of exploring these aspects. The qualitative field study has the capacity to capture the richness of the family business and also enables the researcher to develop a relationship with the people studied and achieve depth over breadth.

As suggested by Merriam (1998) choosing a research design requires an understanding of the philosophical questions underlying the type of research and the researcher's personality, attributes and skills and becoming informed as to the design choices available. Based on this further study of qualitative design was undertaken as it was felt by the Researcher that qualitative design may be suitable. For an in-depth understanding of the distinctive features of qualitative research design it was attempted by the Researcher to follow the model of Saunders et al., (2007) to capture the complexity and multi-layered aspects of research design as shown in Figure 3.1.

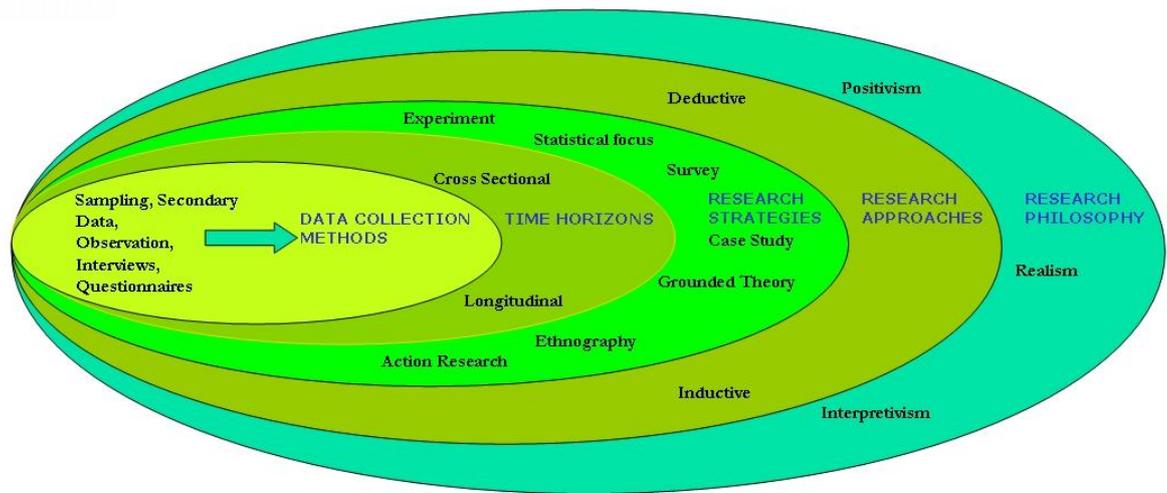


Figure 3.1 - Research Onion – Saunders et al., 2007

## 3.2 Research Philosophy

Easterby-Smith et al., (2002) explained the importance of identifying the chosen research philosophy first in that it helps to take a more informed decision about the research approach, to decide which methods are appropriate for the piece of research and to think about the likely constraints. Philosophical paradigms that influence the choice of different methods for research are broadly categorised and described by researchers as positivism focusing on statistical quantitative evidence, realism based on analytical generalisation of statistical findings and thirdly the perceptive, experiential, contextual knowledge that is described as interpretivism (Saunders et al., 2007; Denzin and Lincoln, 1998 and Sobh and Perry, 2006). These philosophical views differ in their fundamental ontological perspectives regarding the nature of what constitutes as valid knowledge thereby leading to differences in the advocated epistemology which is the relationship between the enquirer and the knowledge and the methodology governing ways and means used to gain that knowledge. At the same time it was also noted that researchers such as Kolb (1984) and Silverman (1993) do not advocate viewing these paradigms as situated at extreme ends of a spectrum without recognising the continuum that exists between them. So it would be important to achieve a balance in the research design.

Weber (1958) clarified the distinction drawn between the positivist and interpretive positions. Positivism aligns itself with a particular view based on assumptions of science and empirical findings. Positivism is based on the central assumption of the possibility to describe the world objectively from a scientific vantage point and favours large amounts of

data collection. Interpretive research is aimed at increasing understanding of behaviour, not of predicting it (Rubenstein, 1981). The interpretive paradigm stresses the dynamic, constructed and evolving nature of social reality. It rejects the positivist notion of knowledge being grounded in the objective and tangible and instead seeks to understand social reality through the eyes of those being studied. According to Devine and Heath (1999), interpretivists adopt a non-competitive, explicatory stance towards how people understand their own actions. Weber (1958) stated the objective of a positivist study would be to make comparisons and perhaps develop some kind of causal theory based on measuring variables in different settings. An interpretivist however would want to know how people in a particular setting behave in the given context and generalising this knowledge by analysis thereafter is associated with realism.

### 3.2.1 Application for this Study

In this research the aim was to explore the extent of Market Orientation development in the context of family ownership in a small to medium sized business environment and the causes and means affecting the introduction of Market Orientation. Based on the literature review it was evident that in researching Market Orientation adoption, study of attitudinal factors and cultural aspects plays an important part as they influence behavioural factors such as customer orientation, competitor focus and internal coordination. It would therefore be suitable to apply the interpretivist design to explain and explore the attitudes and behaviours of the subjects of research in order to draw conclusions. This study was pertaining to subjective factors such as the attitudes of the family owners and their style of management which are not suitable to be classified empirically for development of scientific theory. Thus in this realm of subjective social knowledge, interpretivism was found to be the more relevant design. With this research design the researcher seeks to collect an in-depth insight into human behaviour, attitudes, beliefs, fears etc. and the causes that direct that behaviour as described by Willig (2001) who further asserted that qualitative research helps to build insight through collection of in-depth and richer information by asking the 'why' and 'how' questions and not just the 'what', 'where' and 'when' questions, making them applicable for smaller focused samples rather than large random samples.

Silverman (1993) highlighted criticism levelled at interpretivists as being either conservative or apolitical because they never rise above common-sense notions and

judgements. However it was felt that this depends upon the skill of the researcher engaged in the qualitative research. The interpretation is bound with the self of the researcher as per Silverman (1993) in such cases which is considered to be a shortcoming. However this can also be viewed as an advantage. One may argue that when using qualitative methods such as open interviews or participant observation, the researcher has far more control over what information was gathered, how it was recorded and interpreted and richer information is captured as stated by Maxwell (2005) and Denzin and Lincoln (2003). With quantitative methods it is generally the informant that provides the information directly and the researcher would merely have to accept what was provided by the informant without having much opportunity to raise queries. Thus the extent of involvement of the researcher and quality of interpretation may always be subject to criticism but as seen above interpretivism was found to offer many more opportunities and possibilities for the type of research questions put forth in this case namely exploration of the nature of Market Orientation, analysis of causes and means affecting Market Orientation and extent of development of Market Orientation in the family owned SME environment.

### 3.2.2 Research Approach

The next layer on the onion as shown in Figure 3.1 offers alternative research approaches. As per Bryman and Bell (2003) the inductive approach builds on one set of theoretical findings based on qualitative data collected while the deductive approach is to use a statement of theory as a starting point and collect data for statistically testing this theory. The view that research in marketing has historically emphasised the deductive processes has been criticised (Deshpande, 1993) for an over-emphasis on the confirmation of theory rather than its discovery. The inductive position is useful as per Saunders et al., (2007) for gaining access to understanding of meanings humans attach to events within the research context and also for providing a more flexible structure to permit changes of research emphasis as the research progresses.

### 3.2.3 Application for this Study

The inductive approach therefore seemed especially relevant for the study to be undertaken whereby causes of and the main factors likely to impact Market Orientation were to be determined over the course of the research. This study places an emphasis on the description and interpretation of the effect of family ownership in SMEs and seeks to provide rich descriptions how CEOs/Owners and the typical setting of an SME plays out in

the development of Market Orientation. The framework developed during the literature review provided valuable indicators regarding areas to focus on during the field work. All theories were taken into consideration during this review and it was intended to carry out further research with an open mind. The aim was not to validate any particular theory but to explore the possibility of Market Orientation adoption in the family owned SME environment. So the inductive approach would be suitable. It was also noted that the inductive approach enables the researcher to be viewed as a vital and integral part of the research in order to record specific findings in the given context rather than attempting to make generalisations as described by Saunders et al., (2007).

### 3.3 Research Strategies

Researchers such as Easterby-Smith et al., (2002) have suggested that the research strategy chosen must be based on the philosophy of the research. For instance the epistemology of positivism matches with quantitative methods i.e. methods which are essentially numerical and follow a 'natural science' approach to conduct the research. However even researchers such as Saunders et al., (2007) do not promote such a rigid alignment between positivism, deduction and quantitative methods on the one hand and between interpretivism, induction and qualitative strategies on the other. Warring (2000) recommended viewing this as a natural 'elective affinity' but at the same time advocate using complementary methodologies in order to obtain more accurate results and to keep in sight the bigger picture. This was taken into consideration by the researcher and it was thus attempted to design a balanced research design that would mitigate the criticism usually associated with completely inductive methodology and its resulting lack of ability to make generalisations.

Therefore the researcher reviewed the different strategies available such as action research, ethnography, grounded theory and also case study methods that were either linked with the inductive approach or related to some other approaches but still considered relevant in order to develop a balanced research design that could logically follow from the chosen research philosophy and also be suitable for the research aims. The personality and personal preferences of the researcher were also taken into account as suggested by Easterby Smith et al., (1991).

### 3.3.1 Action Research

As described by Coghlan and Brannick (2005), typically action research is presented in terms of situations where an action researcher external to an organization enters the organization in some sort of temporary facilitative role, works with the members of the organization for the duration of the project and then leaves. Action research is an approach to research which aims at both taking action and creating knowledge or theory about that action. Action research works through a cyclical process of planning, taking action and evaluating the action thus leading to further planning. Coghlan and Brannick summarised saying that action research is practical, change oriented, participatory and a cyclical process that can feed results directly back into practice. The stated disadvantage by these researchers was that ethics might constrain research due to involvement of the practitioner. Action research limits the feasibility of exercising controls over other factors of relevance to the research. This disadvantage of inability to give due consideration to other factors likely to affect the study was seen as quite pertinent in this research context. Whilst insider action research for instance places a great emphasis on the researcher studying their own actions, it would be important to consider the role of various members such as family owners and other stakeholders in determining the course of this research.

In this study conducted between October 2005 and October 2008 as described in the timeline in the appendix, the Researcher was also participating in the work of Market Orientation development but not assuming the role of the principle facilitator who plans, takes action and evaluates results. Details regarding the greater roles of others in the organisation under consideration are given in further chapters. On the contrary the actions of other members of the organisation would be more important as well as their attitudes and cultural impact. For this reason the action research strategy was found to be inadequate to the needs of the research. The relevance of action research to this study stems from the idea that action research is fundamentally about change and thus is related to learning in action according to Coghlan and Bramick (2005). However the focus seems again upon the learning of the researcher whereas the researcher aimed to explore and record the learning of the organisation if any as stated in the aims of this research.

### 3.3.2 Ethnography

As described by Saunders et al. (2003) ethnography is based strongly upon the inductive approach in which the purpose is to interpret the social context of the research in the way

in which the research subjects themselves interpret it. Ethnography as defined by Neuman (1997) and Creswell (2003) also means description of people or cultures and developing an understanding from the native point of view by studying a cultural group in a natural setting over a length of time by observation. They state that the ethnographer's account is not just a description reproducing real life situations but an experiential construction which can be a means of developing theories by checking them out in small scale scenarios. This depicts the merits and relevance of ethnography in the context of this research. The demerits described are in terms of a lack of ability to generalise and the need for the researcher to have very close interaction with the important subjects of the research.

As described by Patton (1990) the cultural patterns and perspectives of the group under study in its natural setting form the fundamental part of ethnography which is carried out through close, face to face interaction with the participants to interpret the perspectives and behaviours of the participants. In this study it was aimed to study the attitudes of owners/directors and employees but also other factors such as responses to customer demands, awareness of competition and coordination between various departments. Ethnography would limit the scope to the depiction of the people whereas the role of structures, processes and functions would also have to be studied. According to Hammersley (1992) there are two especially salient areas of current criticism. Firstly, to what degree can ethnographic accounts legitimately claim to represent an independent social reality? In the past much of the argument supporting the value of ethnography in comparison with quantitative methods was couched in terms of its greater ability to capture the nature of social phenomena but it may be too reliant on the views of the subjects of research and other qualitative methods may be more relevant for this reason. The second criticism of ethnography is that ethnographers usually study one or a few small scale cases over periods that range from a few days to several years. Also as confirmed by Yin (2003), ethnographies usually require long periods of time in the field and emphasize detailed observational evidence. The researcher had committed to long time for this project but it was not likely that the subjects of the research such as family owners or managers who had to visit customers or staff serving at counters would be available throughout for the ethnography. It was thus deemed to be unsuitable as a strategy as the demands on time would be too strenuous for the participants other than the researcher for conducting sufficient face to face interaction and the risk of lack of focus on other aspects of the research as described above was also a consideration. Moreover the dual role of the

participant and the researcher would be inconsistent with the typical ethnographic research strategy focusing on observation of the people within the research. Further disadvantages of ethnography as suggested in Hammersley (1992) were tensions within the approach, stand alone descriptions and excessive story telling leading to slightly greater difficulty in generalisation and thereby reliability.

### 3.3.3 Grounded Theory

Glaser and Strauss (1967) and Strauss and Corbin (1990) identified 'Grounded Theory' as a strategy where theory is generated or derived from data, systematically collected and analysed through the research process as an iterative process. Saunders et al. (2003) suggested that grounded theory consists of inductive and deductive elements since the theory is grounded in continual reference to data. Neuman (1997) stated that the purpose of the grounded theory strategy is to build a theory that is faithful to the evidence using a systematic set of procedures. The demerits of the methodology were identified as excessive reference to data and insufficient reliance on extensive qualitative analysis. In this study it was likely that the data required more subjective and experiential interpretation. Inductive research was likely to produce evidence would need to be analysed and interpreted rather than empirical data that could be directly applied for building a theory. The strategy of grounded theory thus was not found to be applicable in this case due to its over reliance on systematic empirical findings from data to draw conclusions and develop theory.

### 3.3.4 Case Study

Yin (2003) described a case study as an empirical inquiry conducted in a real life context especially where the boundaries between the research subject and context are not clearly evident. Thus it is well equipped to deal with subtleties and intricacies of complex social situations and the analysis is holistic, not based on isolated factors. This research was principally focused on how and why queries such as why Market Orientation adoption is more or less enabled by family ownership of small and medium sized enterprises and how do family owners influence development of Market Orientation. The literature review clearly indicated the need for examining all internal and external attitudinal and behavioural factors of a firm to determine its extent of Market Orientation and in particular to determine how Market Orientation is developed. The case study method allows the investigator to retain the necessary holistic and meaningful characteristics of real-life events, change in relations and in the organisation as a whole.

It was evident from this description of the case study methodology to the researcher that one reason why it fits better with the scope of this research than do other interpretive strategies such as ethnography or action research was due to the importance of covering contextual conditions in addition to the study of the main subjects within the research such as family owners as defined by the aims of this study. Whilst Saunders et al., (2007) positioned case study as less inductive than ethnography, grounded theory or action research, Gomm, Hammersley and Foster (2000) confirmed that qualitative methods such as 'Case Study' are essentially descriptive and inferential and focus primarily on the kind of evidence that can illuminate issues and offer possible explanations. Thus from the set of strategies within the qualitative philosophy available for research, case study was also suitable for achieving a balance between the inductive and deductive approaches in the research design as recommended by writers such as Easterby-Smith et al., (1991), Silverman (1993).

Disadvantages to more quantitative methods such as surveys, questionnaires were also noted. In the case study the process is considered as important as the possible outcome in the real life situations under study where as the survey approach requires detailed investigation to unravel the complexities of a particular situation. Thus a case study approach was found to be appropriate for this research purpose as it could provide richer in-depth insight than quantitative techniques but provided better balance than more inductive strategies such as ethnography, grounded theory or action research. So the case study strategy is further explored in depth in this chapter after these comparisons against other potential strategies in order to establish its relevance to this research.

#### **3.3.4.1 Characteristics of case study**

As a strategy the suitability of case study was determined based on the following factors as suggested in Yin (2003) namely the type of research question, the control an investigator has over actual behavioural events and the focus on contemporary as opposed to historical phenomenon. The choice of case study is typically to answer questions like 'how' or 'why'.

Case Study is considered suitable when the investigator has little or no control over the events and when a phenomenon is studied in a contemporary real-life context. What distinguishes the case study is not so much the amount of data collected but the factor of amount of control of the variables. In experiments, the researcher creates the data to be

studied whereas case study researchers construct cases out of naturally occurring social situations as described by Yin (2003). Gomm, Hammersley and Foster, (2000) stated that the case may be an individual, an event, about decisions, programs, the implementation process or organisational change. Selection of the appropriate unit of analysis will occur when one accurately specifies the primary research question.

Yin (2003) has explained that the essence of a case study, the central tendency among all types of case study is an attempt to illuminate a decision or set of decisions as to why and how they were considered and implemented and with what results. In this research the researcher has limited control over the behavioural events even though this was a unique opportunity to be very actively involved in the effort of the owner/managers to affect change. The researcher would be able to observe events undertaken and in a sense test the theories and findings of other researchers in this field. The primary research question was identified as analysing the nature of Market Orientation in the context of family owned SME environment and it was evident that the important units of analysis were the family owners, the program of sales and marketing undertaken in the company, the execution of sales and marketing ideas and the overall organisational behaviour. In this way within a single case, attention was given to a few sub units. The resulting design can therefore be called an embedded case study design (Yin 2003).

Thus the characteristics of the case study related to type of research question and amount of control of the researcher on behavioural events are explored.

#### **3.3.4.2 Types and merits and demerits of case study**

It is argued that the aim of a case study research should be to capture cases in their uniqueness rather than to use them as a basis for wider generalisation or for theoretical inference; the rationale for a case study being built on factors such as whether it represented the critical case in testing a well formulated theory, an extreme or unique case or even a representative or typical case (Rugg And Petre, 2007). Single cases are used if the case seems to represent a unique testing of a theory whereas multiple cases can provide replication logic via similar results or contrasting results for predictable reasons to support the theory.

This case study company presented representative features in terms of second generation family ownership with both brothers working actively as executive directors, existing small

scale sales oriented operations and medium size. Due to their multiple sales offices which were operated almost like independent businesses it was possible to view these as separate small or medium sized units and a tendency within these offices to employ family members was also observed. The objective was to capture the circumstances and conditions to provide detailed information that could be analysed with an open mind and built upon to represent a contribution to knowledge and theory building. A snapshot of the events identified to be key for the objectives of the study based also on the literature review is presented in Figure 6.1 and described in subsequent chapters of observation and analysis. Also a timeline is provided in the Appendix.

Yin (2003) recommended an explanatory case design for theoretical propositions that can be elaborated to cover study questions by reviewing literature, construction of the design framework, discussions including asking challenging questions between investigator and research subject and analysis for the success of the study, further stating that the selected cases should reflect characteristics and problems identified in the underlying theoretical propositions / conceptual framework. This study was also likely to be revelatory in the sense that the investigator had an opportunity to observe and analyse a phenomenon previously inaccessible to investigation to the extent of actually participating in the efforts of the company to become Market Oriented and analysing the causes and barriers to the change at the same time. This was likely to occur with respect to the research undertaken as Market Orientation of the firm was assessed at the start and the end of the project to examine the level of adoption if any and the factors that are likely to have impacted this adoption. Thus it was a suitable case to enable and enhance theoretical inference based on observations and the general theory was to be built up with the help of inferences from the multiple SME units under study.

Some researchers such as Silvermann (1993 ) claimed that case study may be less representative due to lack of a big enough sample and provides little basis for scientific generalisation as a study of a single small scale setting cannot at a particular point in time have general relevance for a wider audience. There are two ways to deal with a problem of this kind though the two cannot always be distinguished as described by Yin (2003). One to treat the cases studied as representative of a larger population of cases that are of wider relevance. The other is to use the case to exemplify a theory to build on existing knowledge based on one view of reality. This first type was suitable for this chosen

interpretivist research design. The goal was to analyse settings in the business units of the company which would provide results from more than one business environment. Although it was not an identical methodology, such multi site cases in different proportions have been used by other prominent researchers also such as Narver and Slater (1990).

Similarly in this study the aim was to develop a greater understanding of Market Orientation to build on the existing knowledge on this subject with a particular focus on the context of family ownership and size of the business. The parameters likely to affect Market Orientation such as number of employees, type of customers, relationships with management, managers' attitudes were to be analysed to find possible links with existing knowledge about Market Orientation development and to provide further in-depth explanations to the questions such as how Market Orientation is developed and why it can fail. It has been stated also that there may be insights that need to be gained from looking at the individual case that can have wider implications (Petre and Rugg, 2007). This lent further credibility of general relevance of findings in this study. The case study method provided a greater opportunity for in-depth focus on relationships and processes within social settings which tend to be interconnected and inter-related. Moreover the company consisted of several sales offices which all differed only slightly and were still within the umbrella of a single family owner and framework of a small enterprise. Comparing these SME units helped to mitigate the disadvantage of inferring from a single case study in this research.

In the next section the multiple sources of evidence available for use within the case study strategy are explored to get an understanding of how to conduct analysis within the case study strategy.

#### **3.3.4.3 Collecting and analysing information**

Concern has been raised over the lack of rigour of case study research. Perhaps the investigator has been sloppy, not followed systematic procedures or has allowed equivocal evidence or biased views to influence the direction of findings and conclusions (Silverman, 1993). This is arguably a problem that applies to all qualitative techniques which can be avoided by rigorous preparation and training. Another complaint about case studies concerning the long timescales involved and resulting massive, unreadable documents can be minimised according to Yin (2003) using a balance between narrative and analysis rather than only lengthy narratives. The time taken was likely to be longer in this research

but this was also because it was conducted as a longitudinal case in terms of time horizon where the same company and its units were studied at several different points in time to observe changes (Yin, 2003). The timeline included in the appendix and presented in Figure 6.1 indicates this. The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points encouraging the use of a variety of data collection methods and multiple sources of evidence so that the data converges in a triangulated fashion thus assisting rigorous research.

Hence the analysis of evidence within case study is a complex task and for this Yin (2003) advocated matrices, tabulation of frequencies and temporal schemes for initial classification of evidence. The two analytic strategies are described as relying on theoretical propositions to guide the analysis or to develop the case description on the basis of general characteristics and relations of the phenomenon in question. In this research the case was analysed based latter and the conceptual framework by following a chronological sequence to pick out relevant data within the events occurring in the case study. This is highlighted in the timeline in the appendix also. The observations were matched with some patterns from existing timeline based on guidelines of Yin (2003). This helped to ensure that all relevant evidence was used, major rival interpretations were dealt with and the most significant issues of the study were addressed based on aims and major issues identified in the literature review without any prior bias. Case study is one of the most widespread and accepted formats and its unique strength is its ability to deal with a full variety of evidence such as documents, artefacts etc. (Rugg and Petre, 2007).

The case study approach within qualitative research offered the opportunity to collect data using different methods as listed below such as participant observation, interviews, document collection to corroborate ideas and inferences etc to provide a holistic picture in the research.

- Documents such as electronic letters, agendas, meeting reports etc
- Archival records including accounts records, transactional records, organizational charts, budgets etc.
- Open Ended Interviews

- Participant observation by assuming a role in the situation & getting an inside view of the events
- Physical artefacts if any

The researcher used the three principles of data collection (Yin, 2003) namely,

- Using multiple sources of evidence and triangulation of data to attain valid findings;
- Creating a database of case study notes, case study documents, tabular materials and the narratives
- Linking the evidence with initial study questions along with sufficient citing of the case study data base and evidence in the final report and conclusions to be drawn

## 3.4 Data Collection Methods

According to Merriam (1998) interviewing, observation and analysis are activities central to qualitative research that focuses on meaning in context. The choice of the main data collection methods for this research based on links to the research questions and the philosophical stance were participant observation and open ended interviews along with documents, archives etc. to achieve a methodological triangulation of findings. According to Daymon and Holloway (2002), relying on observation without talking to people in order to understand their perspectives is to risk misinterpreting their actions. Similarly relying on what people say about what they believe and do without also observing what they actually do is to neglect the complex relationship between attitudes and behaviour. So both Participant Observation and Interviewing were suitable to be used together.

### 3.4.1 Participant Observation as a suitable data collection method

#### 3.4.1.1 Characteristics and classification

The main assumption underlying advocacy of a qualitative method is that the nature of the social world must be discovered: and that this can only be achieved by first hand observation and participation in natural settings, guided by an exploratory orientations; that research reports must capture the social processes observed and the social meanings that generate them (Easterby et al., 1991). A classic definition spells out the crucial characteristics of this approach and the things which distinguish it from systematic

observation. By Participant Observation is meant the method in which the observer participates in the daily life of the people under study, either openly in the role of researcher or covertly in some disguised role, observing things that happen, listening to what is said and questioning people over some length of time. Participant Observation discloses things through the researcher's experience of participating in the culture or event. Only by experiencing things from the insider's point of view does the researcher become aware of the crucial factors explaining the culture or event (Gillham, 2000). With Participant Observation, the aim is to get insights into cultures and events, insights only coming to one who experiences things as an insider. The insider experience puts participant observation in a particularly strong position to deal with the meaning of actions from the participant's point of view. The nature of Participant Observation also allows the researcher to place greater emphasis on depth rather than breadth of data, and be better able to reflect the detail, the subtleties, the complexity and the interconnectedness of the social world it investigates. Emphasis is placed on holistic understanding in which the individual things being studied are examined in terms of their relationships with other parts and with the whole event or culture. In those respects Participant Observation scores highly in terms of the validity of the data according to Gillham (2000).

In the case of this study, the investigator was participating in the work and observing. The researcher's role was explicit to the senior management and although not hidden from the rest of the employees it was not loudly advertised either. This was because a major objection to unstructured participant observation is the effect of your presence on those you are observing as described (Gillham, 2000). This impact needs to be mitigated and hence the investigator has adopted a suitable semi explicit Participant Observer's role with limited participation in the normal setting. Again Participant Observation was chosen as a part of a multi method approach with different kinds of evidence gathered in different ways but bearing on the same point.

#### **3.4.1.2 Merits and demerits**

Advantages of Participant observation in which one is not merely a passive observer but may actually participate in the events being studied include the ability to gain access to events or groups that are otherwise inaccessible to scientific investigation, the ability to perceive reality from the viewpoint of someone 'inside' the case study rather than external to it and the ability to manipulate minor events such as convening a meeting of a group of

persons in the case study. Other advantages include the fact that this method requires little by way of technical/statistical support. As Gillham (2000) contended, it is a good platform for gaining rich insights into social processes and is suited to dealing with complex realities in contrast to questionnaires and interviews which base their data on what informants tell the researcher and in contrast to documents where the researchers tend to be one step removed from the action.

As a disadvantage the participant role may need too much attention compared to the observer role not leaving sufficient time to raise questions about events from different perspectives. Researchers' perceptions of situations might be influenced by personal factors and that the data collected could thus be unreliable. However these constraints affect all qualitative research and the advantages and opportunities in this strategy are far greater. It was also realised that other corroboratory evidence obtained may be helpful to reduce the opportunity for the researcher's bias to creep into the study.

## 3.4.2 Interview

### 3.4.2.1 Characteristic features

A semi structured form of interviewing is recommended in case study research. Interview techniques are suitable when a small number of people are involved, they are accessible and questions are open needing an extended response with prompts and probes to clarify answers (Yin, 2003). In favour of interviews it is said that it is impossible to get a complete account any other way. Gillham (2000) contended that interviews are to be guided conversations rather than structured queries. In the interview process the investigator has two jobs: to ask actual conversational questions in an unbiased manner that serves the needs of the line of inquiry of the research and to follow the researcher's own line of inquiry in the responses provided. The desirable skills of the investigator were noted as the ability to ask logical, relevant questions with sensitivity for novel and unexpected issues in data collection (Yin 2003), to interpret the answers without losing the insight and quality of data, to be a good listener with flexibility and to not be trapped by his or her own ideologies and perceptions. It is important as an interviewer to be attentive, sensitive to feelings of the informant and tolerate silences and be non-judgemental as far as possible to create a rich dialogue with the interviewee to gain deep familiarity, systemising those ideas in relation to kinds of information one might gather. The picture that emerges should be representative of the total reality.

### 3.4.2.2 Merits and demerits

Arguments against interviews dispute the accuracy of claims about what happens in natural settings on the basis of data produced in settings that have been specially set up by the researcher. Interviewees and interviewers have their own preferences and prejudices and these are likely to have some impact on the chances of developing rapport and trust during an interview. The gender, age and ethnic origins of the interviewer can have a bearing on the amount of information people are willing to divulge and their honesty about what they reveal. But the overwhelming strength of the open ended face to face interview was viewed as the richness of the communication that is possible.

The advantages of interview including depth of information, insights, informants' priorities, opinions, ideas are captured, flexibility, validity and high response rate were more relevant for the study compared to some of the disadvantages such as the fact that interviewees can invade privacy if they ask questions which are perceived as too probing beyond their comfort level by the respondent or can be time consuming. In terms of ease of accessibility interviews require consent to take part but a one to one interview is relatively easy to arrange with only two people's diaries to match.

### 3.4.3 Application for this Study

Thus Participant Observation and Interviews were used in this study to build a chain of evidence through explicit links between questions asked, data collected and the conclusions. Evidence available in the form of electronic mails, letters, memos, agendas, announcements, and minutes of meetings, newspaper clippings and other written reports as well as internal records was also used. The researcher made weekly rough notes of relevant incidents and changes in electronic format based on participant observations. Also documentary evidence including emails, reports written after visits to every sales office etc. was regularly classified into electronic folders. Surveys of staff, customers and suppliers were conducted as part of the marketing audit for the company and these were also collated to be used as evidence for the research. The events are described in the observations chapter and also chronologically listed in the appendix.

Being employed at a senior level within sales and marketing was beneficial in terms of attendance at key events, meetings etc. and inclusion in all relevant business communication by the owners/Directors and by rest of the management. At the same time most employees were aware that that this was a dual role with an ongoing study at the

university and so the investigator was viewed as a separate independent entity rather than part of the Head Office Management body. This dual advantage helped the investigation and the researcher attempted to mitigate some of the disadvantages of the chosen research methods such as bias against the researcher, lack of openness etc. As an employee who had previous commercial experience in senior roles within Marketing, it was possible to gain trust of the Management so that suggestions to improve attitudes and activities within Marketing were taken seriously and Directors shared their concerns openly. If the researcher had been presented as someone with only academic interests, it was felt that some of the Management may have been reluctant to place confidence in the researcher due to their natural distrust for jargon in concepts and theories. At the same time by assuming an open minded neutral role of an interested newcomer and outsider it was possible to hold open conversations with the front line staff who viewed the researcher with respect and at the same time did not feel the researcher was a part of the senior management team.

Forty one to one interviews of staff across all the sales offices and managers were conducted with prior consent. These were recorded to be transcribed and analysed thereafter. As open ended interviews there was not a set time limit but it was found that these lasted for roughly forty to sixty minutes each. These interviews were repeated across many staff members and were all conducted in the middle period when the changes started occurring within the units were being analysed.

The first six months were used to explore the initial understanding of Market Orientation and the final six months helped to analyse the nature of Market Orientation at the end of the project. A fixed format of questions was not used and the interview was guided by the indicators picked up in the literature review and conceptual framework so that they revolved around the key elements identified namely market intelligence collection/ dissemination/ response, customer focus, competitor focus, inter-functional coordination vis-à-vis process/systems/communication, Attitudes of staff and management influencing the above behaviours, understanding of Professional Marketing, family Owner's influence, attitude towards organisational change and the management Style of the family owner and directors in the SME. These interviews were over and above participation in group meetings which presented many opportunities to record and analyse views of key people.

In summary it was noted that good research design must be relevant, feasible, accurate, objective and ethical as described in Coghlan and Brannick (2005) from the beginning of the process in terms of formulation of specific research questions to the selection of appropriate design and method, collection and analysis of data, generalisation and evaluation of the analyses and formulation of findings.

## 3.5 Ethics and Relationships

### 3.5.1 Relationship with the stakeholders

Coghlan and Brannick (2005) suggested that for a researcher employed within the case study company at a middle rank it would be important to monitor the relationship with the sponsor who provides permission and primary access throughout the project. The sponsor grants permission to take study leave, to access documentary information, to use organizational material for research etc. At the same time the sponsors are the directors of the company who are in senior managerial positions. The researcher recognises therefore the need to work at maintaining this relationship as the continuation of the research project may depend on it. This may become particularly difficult if it emerges that the sponsor is a source of problems within the organisation.

This is particularly relevant for this research since it was established in the literature review that the owner or the family owned SME is likely to greatly impact the development of or lack of Market Orientation in the firm. At the same time this research was being conducted with the permission of the owner and because of the owner's professed interest in undertaking change to adopt Market Orientation across the company. This research had been permitted also because the firm sees a benefit in the conclusion of the research in that there are likely to be pointers to the level of Market Orientation of the firm. It was equally important to manage the relationships with the executives, subordinates, organizational members, customers and peers. The researcher utilised recommendations such as identifying stakeholders, working on the comfort zones, networking and making deals in order to maintain these relationships.

### 3.5.2 Responsibilities and Ethical Considerations

Case study methodology conducted using data collection methods such as participant observation and open ended interviews raised ethical dilemmas regarding confidentiality vs. sharing of information to obtain opinions, interpreting the information provided based

on investigators' experiential judgement but at the same time avoiding bias and maintaining a neutral stance as far as possible etc. It was important to conduct the research without preconceived notions and prejudices. These dilemmas including issues around how to attain some sense of objectivity and more beyond a personal perspective by testing assumptions and interpretations had to be considered carefully before embarking on fieldwork. The investigator was mindful of some ways of ensuring validity of data including negotiating access with authorities and participants, promising confidentiality of information, identity and data, getting permission to use documentation that was produced for other purposes, keeping good faith by showing you are someone who can be trusted and always checking with others to minimise misunderstandings.

Elmes et al., (1995) recommended the following requirements of data collection and it was attempted to follow these in the project:

- To identify oneself; who you are, where you are from, what you are trying to do or find out.
- To develop an atmosphere of trust so that people will disclose accurate information by assuring confidentiality regarding any information about participants acquired during the process and offering the right to withdraw from the interview
- To have a clear specification of what it is to be observed, a clear procedure for recording your observation.

For instance during the open ended interviews conducted by the Researcher it was made clear at the outset that any information provided will be considered and analysed from a research perspective. It would be kept confidential and none of this would be revealed to the Directors. Some of the information obtained in these interviews as quoted in the chapter on observations and analysis demonstrates that the interviewees trusted the researcher and were open and forthcoming in their responses. Being viewed as an outsider helped to maintain confidentiality and gain trust and respect of staff as well as senior management. In terms of identity of the business, the names and some details in this report have been altered to maintain confidentiality regarding the actual identity of the case study company. The owner was aware and supportive of the research because it started as part of the partnership scheme with the university under which the employment was also offered.

It was accepted that there would be some limitations in terms of how much the researcher would be able to get access and time of the Directors rather than being expected to get on with the day to day job as part of the employment. Also some staff would still be cautious in answering the researcher because of the fact that it was a dual role alongside being employed and being based at the Head Office. But ultimately this dual role was right at the heart of the research and therefore viewed more as a unique characteristic and unique opportunity to test a theory and contribute then to develop it further in a very hands-on manner. It did provide unprecedented access to the people working in the case study company, processes undertaken and culture of the organisation.

It was recognised that this research design is not just a matter of being an employee for three months or so, keeping a diary and analysing the results at a distance at a later date. It involved observing, participating, talking, checking, understanding and making interpretations. Time on site was required to gain trust, to establish rapport and foster insights that are the trade mark of participant observation and open ended interviews. There were likely to be issues of appropriate frameworks for viewing and understanding the data. By liberally using documentary evidence such as emails, reports etc. it was possible to overcome the danger of researcher's bias based on observations and interpretations creeping into the analysis of the report. It was felt that whilst these shortcomings cannot be avoided it is possible to be mindful of them and thereby minimising the margin of bias.

There are questions about how to write up such a research project to make it relevant to the wider community. It was attempted to analyse the data with links made to the literature reviewed around each theme in order to contribute to theory building. Ultimately the aim was to incrementally add to the knowledge available in this area and make observations based on several business units within the organisation to avoid the risk of exceptions being generalised.

## 4. Context: Case Study Company

### 4.1 Introduction

For the purpose of this research, the case study company is referred to with the given name of ABC Electrical to preserve anonymity of personalities and maintain confidentiality whilst using sensitive information. Similarly the names of individuals have been replaced for maintaining privacy. The information collated is presented in order to facilitate an understanding of the context within which the family owned SME operates.

ABC Electrical a second generation family owned business based in the Midlands region was founded in year 1967. The company comprised of the main head office at Nottingham and twelve wholesale outlets throughout the East Midlands and West Midlands within the United Kingdom. It specialised in the distribution of electrical installation goods for the commercial, industrial and domestic markets.

### 4.2 Product Range

ABC Electrical supplied a full range of market leading brands and a number of their own brand electrical products. Their product range extended up to 32 product lines which were further aggregated to form fifteen product segments namely Cable, Cable Accessories, Cable Management, Distribution, Door Chimes, Fire & Security, Heating, Lamps, Lighting, Site Electrics, Test Instruments, Tools & Fixings, Ventilation, Water Heating and Wiring Accessories.

About 30% of the company's turnover came from lighting products and the most volatile product segment was cables. However the product range was wide with a good mix of products for customers in the domestic, industrial and commercial sectors. From the point of view of product stock, the management admitted that it was not geared up to serve industrial customers as it believed it was not proficient in sourcing, supplying and advising on products such as motor control gear.

### 4.3 Market Information

As of 2005, the UK electrical wholesale market was estimated at £3.5 billion. The Midlands region accounted for about 15% of this and ABC Electrical was estimated to

hold 3% share of the Midlands market. The company's main competitors were considered to be four established national wholesalers with the top four having national market share of 27%, 24%, 15% and 7% respectively. Other major competitors were national or regional players in this industrial sector.

In order to combat competition from national wholesalers, ABC Electrical joined a buying group and was a member of the Associated National Electrical Wholesalers (ANEW) a national buying group made up of 42 independent companies. ANEW accounted for 21% of the national market. ABC Electrical was about 7<sup>th</sup> in size within the ANEW group. The largest independent competitor within the ANEW group accounted for a turnover of approximately £50 million. The remaining 6% of the market were made up of small independent companies.

ABC Electrical had therefore about 0.5% share of the total market of electrical installation goods in terms of revenue. However it had built a good reputation in the Midlands region already and not just within their customer base interested in electrical products. In addition it supported some local charities such as support for leukaemia patients which demonstrated the company's public relations and connections with the local community. People employed were mainly from the local communities and they sponsored events supported by the company staff such as organising football matches.

## 4.4 Supplier Relationships

ABC Electrical had very long standing relationships with most market leading manufacturers for most of their product segments. A commercial team headed by the commercial director took responsibility for building and maintaining relationships with manufacturers who offered the best package of products, prices, and service. In addition the company claimed a preference and found it easier to build relationships with British manufacturing companies that were also family owned medium sized enterprises such as JCC lighting or Wirefield.

Product stocks were maintained in warehouses at all branches and at significantly high levels. This was because the customers being small electrical contractors displayed a typical purchasing pattern where they did not plan their purchasing in advance. The customers of this classification would generally turn up in the morning at the trade counter to pick up what they required in order to go off and do their job for the day or days. There

was surplus stock at the branches and the senior management at ABC Electrical was aware that stock management was a problem in almost all branches. The policy for purchasing was mixed in that it was partly centralised and yet at the same time branches are expected to operate as independent units and be able to make purchasing decisions suitable to the needs of their own customers if the situation demanded it.

## 4.5 Customer Relationships

Over the past 37 years that it had been in existence, ABC Electrical managed to build its reputation within the industry and had approximately over 1000 customers, predominantly Midlands based, ranging from the independent electrician to large contractors undertaking retail store refits and new builds and major commercial contracts. The firm's customer base was wide and covered such concerns as panel builders, manufacturing plants, retail shops, local authorities, hospitals and many more, but by far their biggest customer base was in the electrical contracting sector. One man bands of electrical contractors and small electricians served domestic customers while larger contractors served retail, industrial and other commercial projects. A lot of ABC Electrical customers had been with the business for a very long time and business was based on trust to a very large extent.

All the generations of the company had served a lot of these customers who had been there from the start. The majority of them were account holders and the larger account holders placed orders over the phone. Smaller electrical contractors however greatly valued face to face contact and good relationships with the representatives at the trade counter whom they met as often as twice or more in a week. At the same time ABC Electrical branches were suffering because contractors had become very price savvy since the last few years. Thus although historically, ABC Electrical was reliant on electrical contractors both big and small, their aim was to diversify the customer base by targeting factories, manufacturing, public authority, end user businesses as well as other tradesmen. The company was keen to explore other routes to market such as e-trading and opening a new lighting showroom.

In recent times, it was claimed that electrical contractors were demanding better levels of service that required several man hours to be spent dealing with their requests and as such it was difficult to maintain loyal customers as they tended to buy from two or three wholesalers at a time. The customers followed the process of obtaining quotes from several wholesalers and very often basing their purchasing decisions primarily on price. ABC

Electrical was unable to compete with national wholesalers who were able to negotiate better deals with manufacturers and therefore able to offer lower selling prices without affecting their margins negatively.

## 4.6 Family and History

The founder chairman and managing director of ABC Electrical Alex Carr worked within a local electrical wholesale company at the age of 17 years. At the age of 23 he joined a national company as a representative. Subsequently he went on to establish ABC Cables in the year 1967, a small company comprising of five members of staff. Along with Alex's father who retired in 1973, the rest of the staff included a purchasing director, company secretary and a part time employee. The founder Alex handed over the reins of the company to his son Ron who became the acting Managing Director in year 2001 while Alex remained the chairman. The company grew steadily and became profitable under the new management team. The initial capital invested in the foundations of the business was said to have come from the winnings of a bingo lottery and this tale narrated often by the family to internal and external stakeholders was one of the many personal stories associated with the company that were an important part in building relationships with customers, suppliers and stakeholders.

Ron and Tom were the sons of Alex Carr who grew up working at ABC Electrical almost exclusively since they left school apart from Ron's brief stint at another company which was also linked to the electrical wholesaling chain of industries as a supplier. They started off by working on the trade counter and rose up the ranks to become successful branch managers. At the start of this project the elder brother Ron was the Managing Director and Tom was the Sales Director. Ron talked often about his years as branch manager within ABC Electrical. He was credited with having turned around the loss making branch in terms of stock profile, staff support, and trade counter maintenance.

Older staff serving at the trade counters and serving under the branch managers at the ABC business units said that they respected and trusted his business acumen to lead the company with foresight, stable organisation and fair judgement. They believed they knew where they stood with Ron and that he would always give them a fair hearing. His manner of communication with all his staff was perceived as direct and forthright. An internal sales representative at the Wilford branch said, *"I knew Alex very well and he was a straight*

*talking man that said whatever he thought. He looked after you and I got a lot of respect. Ron is the same”*

The younger brother Tom was often described by himself and other directors as being a people's person. He said *“I don't like to do desk work, I am good at being out and about, calling on customers”*. Also he explained that being aware what he wanted to get out of his relationships with a customer led to his success in increasing the business with customers, building better relationships with them and also getting new customers. Tom played up his image of being ‘one of the boys’ when he visited the sales offices by joining the trade counter staff for a bite to eat, joking with them and underplaying his power and capabilities. Employees liked that saying, *“At the same time I wouldn't underestimate his abilities. I have seen him with customers. I know how good he is.”*

Old timers at ABC Electrical branches often claimed that Alex was their favourite out of all the Carr's they had worked under because he treated them most like family. The Associate gathered that he would not stringently measure individual performance and some of the teams in company were more comfortable with greater emphasis being placed on collective responsibility and role sharing. Some of these long serving managers did not accept the changes brought about by Alex's sons and left the company soon after. For a brief period, one of the other founders was managing the company but most of the company staff remembered this period negatively and said they were glad when the family started running the company again with family owners at the helm that is Ron as the managing director and Tom as the sales director.

The role of the managing director was said to be focussed on driving business growth and planning long term strategies of the company. The sales director was responsible for driving sales forward across all the twelve branches for which he frequently visited all branches, set out company level promotions, assisted in branch level offers and events and negotiated support from the manufacturers in promoting products at the branches. The commercial director looked after the supplier relationships and stock purchases. The commercial team reported to commercial director and were responsible for the day to day decision making regarding order fulfilment, delivery, special discounts, and maintenance of all these transactions on the internal order management system.

In reality however due to the nature of operations in an SME, all directors consulted or at least informed each other for every major and most minor decisions that they made and all directors were required to chip in for multiple tasks at all levels from chasing credit to making contact with suppliers to motivating branches with special offers and the like. Product catalogues for instance were created by inputs about general business from the managing director, product inputs from the commercial director, promotional inputs if any from the sales director and the overall project became the responsibility of the commercial director because traditionally it was considered the norm.

Jim the commercial director had been Ron's right hand man and the second most important person in the company next to Ron. Jim's attention to detail in the company's money matters, stringent scrutiny of sales figures and tight control over Manager's stock won him admirers as well as critics in the company. Based on initial conversations with Jim, the Researcher found that his ideas concurred with Ron's in terms of an authoritative management style, preference for a strongly traditional and male dominated hierarchical organisation and maintaining a very secretive closed knit power base at the top keeping everyone else strictly on a need to know basis. For instance Jim monitored access levels of all staff on the internal IT system namely 'profit master'. The managers did not have visibility on each other's customers, or on company wide stock purchase details or especially the actual discount levels offered by suppliers. This was a very contentious issue at ABC Electrical and a point for frequent disputes and grudges against the commercial director as the Researcher noted in the first six months. The primary responsibility of the commercial team was to build and maintain relationships with suppliers. As part of some preliminary observations the Researcher noted that the commercial director made almost unanimously all the decisions about choice of suppliers, stock etc. The other two members of the team seemed to have a more tactical role of implementing the company wide ordering of stock, managing supply, keeping track of replenishment etc.

It was therefore observed that the rest of the staff and the culture of the company were strongly influenced by the attitudes and behaviours of these two directors in their business practices and characteristics rather than following their own individual ideas and developing behaviour accordingly. As Schein (1984) stated, founders/owners at ABC thus did get their own approaches and assumptions embedded within the actions, thoughts and feelings of others in their business. Schein (1984) went on to note that the success of a business will be shaped by the ability of the founder to create and communicate a workable culture. The owner's influence and impact of the resulting family culture in the process of Market Orientation adoption by the case study company were thus to be analysed by the Researcher.

A published organisation chart was available as shown below at the start of the project:

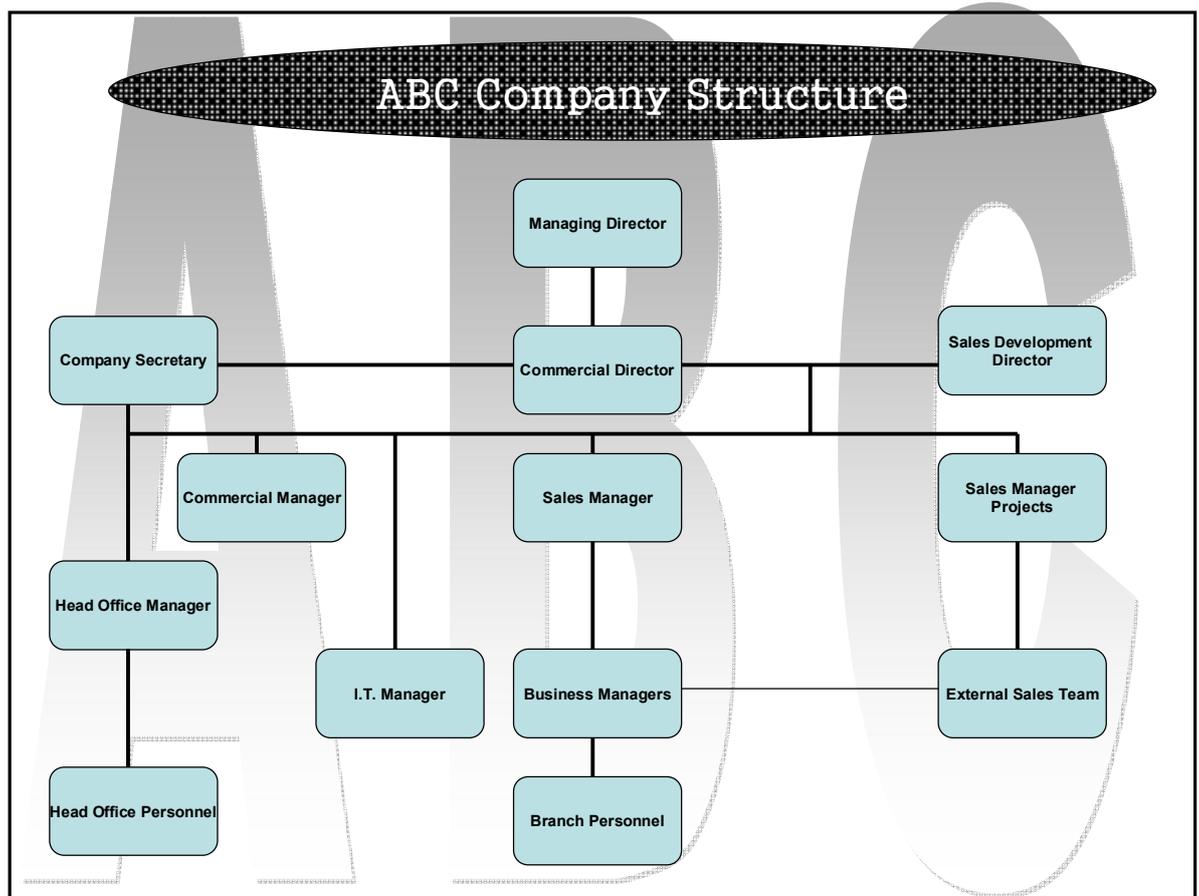


Figure 4.1 - Case Study Company Structure

The Directors were based at the head office as were the Financial Controller, the IT manager, the company secretary, the two commercial managers reporting to Jim and the Projects Manager. The Financial Controller was responsible for accounting, tax payment, budgets and worked in close coordination with the Company Secretary. He also served as Head Office Manager. The credit control section of the administration was part of the Head Office Personnel in the above chart but within teams of purchase ledger and sales ledger rather than a standalone function. All day to day decision making for the head office was the responsibility of the Financial Controller as much as of the Company Secretary as a result of the above structure. Members of staff at the Head Office were aware that the Financial Controller/Head Office Manager was also meant to be the future Company Secretary and he was very close to the Managing Director. Although he did not confide directly with the Researcher regarding his work overload or frustrations with the varied and sometimes unreasonable demands from the Directors, this was however revealed during conversations. This was also the culture of the Head Office. Administrative staff as they had to do more work sometimes beyond their regular roles in sales ledger and purchase ledger and were inherently expected to do things such as answering telephones as ABC Electrical did not have a dedicated receptionist.

The requirements for the server and software technology administration within the company were managed by the information technology (IT) manager, an employee who had risen through the ranks having first started in the administration section over 10 years. The tasks included maintenance of the computers, printers and servers for the company, email management and looking after the profit master system used by the company for order management, invoicing and sales. In addition the responsibilities included providing daily, weekly and monthly reports regarding company performance results. It was observed thus that IT affected several functions within the business. The information technology (IT) manager had joined ABC as a young teenager just like many others. These employees had slowly risen up the ladder and had established a rapport with all the Directors and other staff. As several staff members were long serving employees who had joined as school leavers they were only familiar with the work culture at ABC Electrical. Several said they were glad to be part of a family business because they felt they were more than a number in the company. The functions at the head office had grown around these prominent long standing individuals such as the Head Office Manager/Financial

Controller, the IT Manager and the Company Secretary who were loyal and committed to the company.

There was a culture of passing information on a strictly need to know basis and information flow from the directors was found to be especially restricted. Nevertheless, some employees acknowledged that they appreciated the direct manner of speaking of the managing director and felt that if they had something to say to him then he would listen to them. The staff often said that felt close to the owners in that sense and claimed pride about the family like atmosphere in the company. Thus the strengths of the company were very much linked to the fact that it was a family owned business and many staff members felt they had an important place in the company rather than being merely a number in the head count. A lot of the employees had been with the company for a long time. However the turnover of staff was not much lower than rest of the market and people who left would generally go to work for competitors, manufacturers and customers they had been dealing with.

These initial observations coincided with the findings of researchers like Goffee & Scase (1991) of non family managers being socialised to accept family values, fluid job descriptions and everyone expected to chip in whatever task needs to be done if required, staff being more likely to be generalists rather than specialists and expected to be willing to get their hands dirty. The Researcher therefore had to establish the merits of this preference for sharing tasks and projects over clear role allocation in terms of inspiring loyalty, commitment and teamwork and whether this led to good inter-functional coordination and thereby Market Orientation. Allio (2004) suggested that in Market Oriented firms, the owner is tasked not with trying to breed generalists but to enable the specialist to be effective and to ensure the coordination of different specialist departments in order to focus on customer needs across the entire organisation.

The company secretary had been with the company for over 20 years and was responsible for all operational business matters and looked after all the administrative matters, legal matters and compliance with regulations so that ABC Electrical never overlooked mandatory government policies or laws. He fulfilled a dual role by undertaking Human Resources (HR) functions such as offering contracts, organising the payment of staff and ensuring that ABC Electrical operations abide by the legislation and regulations of the government. It was observed that head office personnel reported to him as much as the

Head Office Manager who was busier with financial work. However the Researcher after discussion on the above role with the company secretary identified that he didn't feel that he was valued for his work in keeping meticulous records and keeping on top of new legislation. Instead all sorts of odd jobs landed on his lap in relation to day to day functioning of the head office and the company as a whole such as distributing Christmas calendars to all customers or getting a van repaired. He maintained records of employees, managed the procedures for recruitment and sent out the pay slips and managed staff salaries. He said the managing director originally wanted him to do appraisals and independently manage staff expectations and responsibilities but he did not get sufficient support all the way thereafter to implement discussed changes. One business manager also confirmed that numerous good initiatives that were started with great enthusiasm in the company failed to reach the launch pad or succeed thereafter due to lack of planning, distraction caused by excessive initiatives started at the same time, lack of resources and shifting priorities. The manager was cynical about new initiatives brought out by Ron or Tom because he believed that they never followed up on their ideas. Before all managers had adopted an initiative and implemented it fully in all the branches, the directors started pursuing a different new idea. He also gave the illustration of how some new customer segments were targeted in the past but without success because of lack of clarity in the messages from the Directors and especially due to lack of follow up on their part. Conversations with the company secretary revealed that he had also been through many cycles of such vagaries of the Directors which could also be a result of favouritism commonly observed in family businesses as noted by Allio (2004). The Researcher thus recorded first impressions of attitudes and behaviours of the core team at the head office in order to establish the context of the case study company.

Based on observations in the first few months of the project, the organisational chart shown in Figure 4.2 was produced, presenting the real hierarchies of the company as the Researcher felt that real relationships, power bases and hierarchies were slightly different from the published organogram.

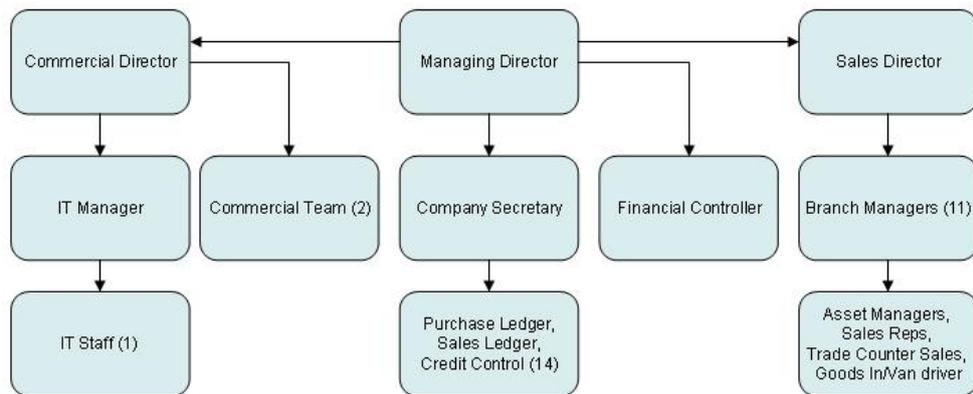


Figure 4.2 - Organisational Chart of Case Study Company

## 4.7 Sales Offices

The staff count at ABC Electrical during this case study period was 107 across its twelve branches. The Head Office excluding the three Directors and couple of Project Managers was set up to provide service to the branches of ABC Electrical spread across primarily East Midlands region with about ten employees. Three of the branches were considered large offices with required manpower, expertise and stocks appropriate to cater the needs of the customers outside the traditional core of small local electrical contractors. These were typically offices with about ten to twelve members of staff and an annual turnover of about £4 million. For the rest of the nine smaller branches there was a generic setup found within the offices which comprised of branch manager and fewer employees in the range of five to six and their turnover ranged from £500K to £1 million. In this set up, the Branch Manager managed the team and was expected to be an entrepreneurial leader according to the Managing Director of the company. One employee looked after the stores and stock, one or two managed the trade counter and acted as telesales representatives and there was a van driver to manage delivery. In some cases there was also an assistant branch manager who was responsible for the internal operations of the branch under the Branch Manager. This structure was considered to be lean and flexible whereby all members at the sales office could be called in to do different sorts of work when required.

The senior management of the company had identified that there was a need to reduce dependency on branch managers and considered it was necessary to do so without undermining their authority since they were also encouraged by the owner to act as entrepreneurs who looked at the branch as their own business and tried to grow it. There was therefore a balance of centralisation and freedom found in the branches. *“We have to treat them not as branch managers but as entrepreneurs”* the Managing Director would

often say on the subject of their roles and responsibilities. However the conflict observed by the Researcher in this case was between the expectation from the branch managers vs. their competencies and the training invested in improving their skill set. The company tried to spend the least time and money in trying to hire a suitable branch manager and ensuring that he was equipped with the requisite management skills and was fully clear with regards to objectives and expectations of the Director. The managers themselves were expected to be 'out and about' spending time 'in front of the customers' but it was thought that they did not do so enough. This was the biggest grievance that the Directors held against them. Managers however argued that they did not have sufficient time to do everything and some managers preferred to hire a sales representative claiming that the role of a manager was different from that of a sales man and they could not be both. The Researcher got the impression that this was a response to the perceived overly intense pressure for sales applied by the directors along with the priority accorded by the senior management to being in front of the customer as much as possible.

## 4.8 Company Plan for the future vis-à-vis Market Orientation

The senior management team and a considerable number of other employees at ABC Electrical were very experienced, capable and committed to moving the business forward. As a result, ABC Electrical was profitable and growing. The Managing Director was ambitious and keen to see ABC Electrical succeed continuously in the market place. He expected staff to be sincere and very sales driven and admitted that ABC Electrical was a sales oriented business. The message shown below in Figure 4.3 is a copy of the email from the Managing Director of the company to all branch managers regarding his view on results from customer accounts & sales sent out in the initial period when this research began illustrates this Sales Orientation.

I am in the process of reviewing company sales for the month of October. My findings are that, should you not have a great deal of sales to book before the end of the month, the company is about to post our worst October in recent years.

Could you all review this situation and please offer an explanation as to why this is the case.

The company sales are below forecast for the year to date. It is imperative that we push for every sale we can over the coming 2 months and one week before the end of 2005.

I would like you all to ensure November makes up for the assumed poor result in October. We must strive to have a record month. To that end can you please ensure your staff are aware of the situation and that no enquiry or sales opportunity is missed !!

We must improve the situation immediately knowing full well that December will be a short month with low sales.

Summary

GET OUT ON THE ROAD  
GET ON THE PHONES  
GET THOSE SALES

No one should be under any illusions that Sales is what pays our salaries. Without them the year will end on a very sour note.

This is not an email that should make you panic.

It should however make you and your teams understand that we must be more aggressive in our sales and go and get business not await its arrival.

**Source: copy of email message sent to branch managers.**

**Figure 4.3 – Sales oriented message from Managing Director**

The messaging and communication from the Directors to all branches was almost completely focussed upon motivating them to sell more. ABC Electrical had not established a system to get sufficient input from the staff on all aspects of the business. Business decisions seemed to be based on market trends as understood by Directors from anecdotal evidence received through personal networking and available resources. However a practice or system of connecting customer and staff feedback, analysing company's strengths, planning for forthcoming events and building strategies based on overall information flow was not observed.

The owner said that he recognised that the company needed to move in a new direction. He acknowledged that he understood what the impact of the Marketing function could bring to the company and had employed the Associate on that basis. However as recorded above, at the start of the project the Researcher thus identified a contradiction in his proclaimed preference for Marketing in words while his actions were very Sales Oriented. Another area of conflict was his belief that others had to change but not he himself. The reasons seemed to be lack of a clear understanding of Market Orientation and unwillingness to try a different approach when all the other Managers were sales oriented. This was down to lack of complete confidence in Market Orientation because it was not a proven success formula in that company. The Owner and Directors did not translate their enthusiasm for

Marketing into concrete action and change in their behaviours despite their belief that it will be good for the company. Carson (1985) described this problem of getting the owners and managers to broaden their perception as they tend to think that their own business situation may be unique and therefore lack a complete confidence in general Market Orientation principles.

In further observations and analysis the Researcher had to determine whether the characteristics noted such as the inability of the Directors to delegate to and to communicate effectively with middle management and other staff in order to enable them to make their own work relevant to the company, unwillingness to follow through with changes in ways of doing business due to tendency to avoid risk etc. were a barrier to improving Market Orientation of the company such as in terms of customer focus and inter-functional coordination. These were also found to be often coinciding with the literature review as reflected in Carson and Chromie (1989), Siu & Kirby (1996) and Carson & Gilmore (2000). According to Carson (1990, 1985) the sub cultures and attitudes that need to be overcome are characterised by negative impressions about marketing as suitable only for large businesses who have the time, perception of marketing as a cost, distribution and selling being treated as uncontrollable problems and the belief that each case is so specific that it cannot be treated with general rules. Small businesses typically develop and implement marketing strategies within severe resource constraints and with day to day pressures of business, marketing may seem an unnecessary luxury.

Thus some important first impressions were recorded such as lack of clear role allocation, expectation for staff to do all types of work when needed thereby breeding generalists, loyalty of the staff and tendency to imitate the owner's attitudes and behaviours, internal promotion of long serving staff as a reward for loyalty, lack of communication, inability of Directors to delegate leading to time management issues, frequent shift in policies and decisions by senior management along with an expectation from senior staff to come up with new ideas and implement themselves. The strong company wide focus on sales contradicted with the Managing Director's intention to be Market Oriented. Also whilst branch managers were expected to work like entrepreneurs there was a strict control from the Head Office such as in stock control. Also the Managing Director often wanted to retain personal sign off responsibility.

The Researcher concluded that the absence of delegation and lack of follow up of self announced new initiatives by the Owner and Directors were not only down to their poor management skills that could be overcome by training. It was also due to inherent reluctance and fear of new strategies which led to abandoning new ideas at the first sight of failure or major risks required to be taken. As quoted by Allio (2004), family businesses are not always swayed by market opportunities that may crop up. Their strategy is to stay true to their roots and their reluctance to diversify in business is also related to pride in carrying forward the same tradition for many years. Allio (2004) commended this as a virtue that differentiates family businesses in the market place positively in the view of customers and brings them customer loyalty. As observed by the Researcher when the company was required to pursue slightly different strategies for a considerable period despite the risks it was reluctant to do so. Thus the impact of the owner's half hearted support to new ideas and desire to micromanage and maintain control upon Market Orientation had to be further tested because as noted above some Researchers claimed it was a barrier while others such as Allio (2004) viewed the entire influence of family ownership as something that could also be used as an enabler.

Thus when this research project commenced, the company ABC Electrical seemed to be in the transition period as the owner began feeling the need for marketing due to market pressures and customer demands and slowly began to come away from a company wide mindset that marketing was a fancy word that was not really for their company in particular. However this realisation in its very early stages was not accompanied by recognition for the need to change. In the second month the Researcher got an opportunity to invite the Managing Director to explain his long term goals for the business. The Managing Director hesitated and said in the end *"I do not wish that ABC Electrical would become a national company. I just want us to be the best"*. It was clear from this that he did not want the business objectives of growth and expansion to eclipse his influence on all aspects of the company and ability to exercise control and authority in the organisation. He added *"This business supports my lifestyle at present"* and that he instinctively did not want it to grow at a pace or in a way that he himself would have to relinquish control to a great degree in the future. Observations and analysis of the entire project undertaken by the Researcher over the thirty six months helped to assess the extent of Market Orientation development in this case and also to explore the nature of Market Orientation appropriate in this context.

## 5. Observations and Analysis

The literature review demonstrated the complex nature of Market Orientation and also that the literature on SMEs did not specifically explore Market Orientation and instead described 'Marketing in SMEs' which was also reviewed along with characteristics of SMEs. Similarly literature available on 'Family Owned SMEs' was reviewed and in some cases references were found regarding 'Marketing' in these organisations. Based on the review a conceptual framework was developed as shown in Figure 2.5. This provided a detailed framework regarding likely stages of marketing in family owned SMEs and likely nature of 'Market Orientation' in family owned SMEs was constructed accordingly. It was then attempted to compare this with results of the field work in the company.

The field work of this research was conducted over a period of thirty six months between October 2005 and October 2008 in the position of an employee within the case study company as well as a Researcher. Employed by the Nottingham Trent University as a Knowledge Transfer Associate (KTP), the researcher began working in the case study company as 'Market Development Manager' for the project of introducing marketing into this Sales Oriented Company. As described in the chapter on methods, the work of the Associate as a member of the staff was therefore itself reflected upon by and also closely linked with the role of the Researcher. In this report, the term 'Associate' is used while referring to and describing activities undertaken by the Researcher in the position of a member of staff of the company. The terms 'Researcher' or 'Investigator' are used while reporting on the findings observed and recorded as part of the research. The conceptual framework was tested in the next thirty six months including an initial assessment for the first six months followed by analysis of changes occurring over the next twenty four months and finally the recording of changes observed in the final six months. This helped to explore in greater detail the nature and extent of Market Orientation and analyse impact of causes and barriers identified also in the framework of Figure 2.5.

### 5.1 Initial assessment

It was established that the Owner had identified that Marketing was important for his company but without the clarity of what it contributes and how Market Orientation could be developed. At the start of the project the Researcher observed a good deal of enthusiasm and support for the marketing function to be established especially among the Directors of

the company. A dedicated office, access to information, invitation to the first managers meeting for the Associate soon after joining the company, all indicated that the senior management of the company were keenly supportive. Also the Directors themselves offered to take the Associate round to all the sales offices of the company which were primarily spread across East Midlands in order to be introduced to the Branch Managers and the rest of the sales staff at the branches. A lot of expectation and ambition was clearly evident behind this offer. It was the first time that the company had decided to employ someone formally to a Marketing Job. It was thus an initiative started with the sense mainly from the owner more than anyone else that Marketing would make a huge difference to this Sales Oriented Company and take it to a new level of success.

In the first six months a thorough review of the company performance in terms of annual sales, product sales, and customer segmentation was carried out by examining reports and company figures by the Associate. A visit to all the 12 sales offices of the company to introduce the Associate to the branches and share the results of this review was then undertaken. Thereafter surveys were conducted for customers, staff and suppliers also in the first six months. This helped to determine the initial level of customer focus, competitor focus, market responsiveness and inter-functional coordination and existing attitudes of management and staff.

### 5.1.1 Market intelligence collection/dissemination/response

The initial assessment denoted that some market intelligence was collected using informal methods such as networking at ABC. But there was an opportunity for more low cost primary research not undertaken due to limited understanding of marketing techniques available. Also a lack of clarity regarding whose responsibility this was previously in the absence of a marketing function was evident. Along with collection and analysis of market intelligence, the dissemination and response was initially relegated to the marketing function after the Associate initiated some work demonstrating lack of understanding of the importance of this information and lack of ability to take appropriate response. The influence of the owner/Directors' secretive nature also prevented sharing of relevant information. All this is described in detail in this section.

ABC Electrical was recognised and well reputed in East Midlands but it had less than 1% share of the total market of electrical installation goods in terms of revenue. The UK's midlands region accounted for about 15% of the national market and ABC Electrical was

estimated to be holding 3% share of this market. There was a huge opportunity to grow and expand in terms of getting more sales from existing ABC customers who also bought a lot from 3 or 4 other competitors as well as in terms of diversification of customer segments, geographical diversification etc. A similar situation was observed in terms of product knowledge across the company and responses to that knowledge. ABC was an electrical distributor that stocked thousands of products over 32 product lines. The main product lines included cable, cable management and accessories, lighting, domestic and industrial wiring, heating and ventilation, tools and test instruments. Analysis carried out by the Associate as in Figure 5.1 and Figure 5.2 revealed that some product groups such as lamps and tubes were much more profitable but were not promoted proactively within the company. The company results served to demonstrate the value of analysing available information and using it to plan marketing strategies accordingly. These were shared with the Management in the company by the Associate which helped to assess existing levels of access to information and ability to react to the results.

The product lines denoted in the Figure 5.1 and Figure 5.2 are cable and accessories, cable management gear, control gear, data management products, distribution equipment, domestic equipment, enclosures, fire emergency and security products, lamps, lighting fixtures, tools and fixings, water heating and ventilation products, wiring accessories (mainly industrial), ERF branded products (mainly domestic wiring accessories), time controllers and other miscellaneous. As a distribution company ABC traded thousands of product lines that were broadly classified in these product segments.

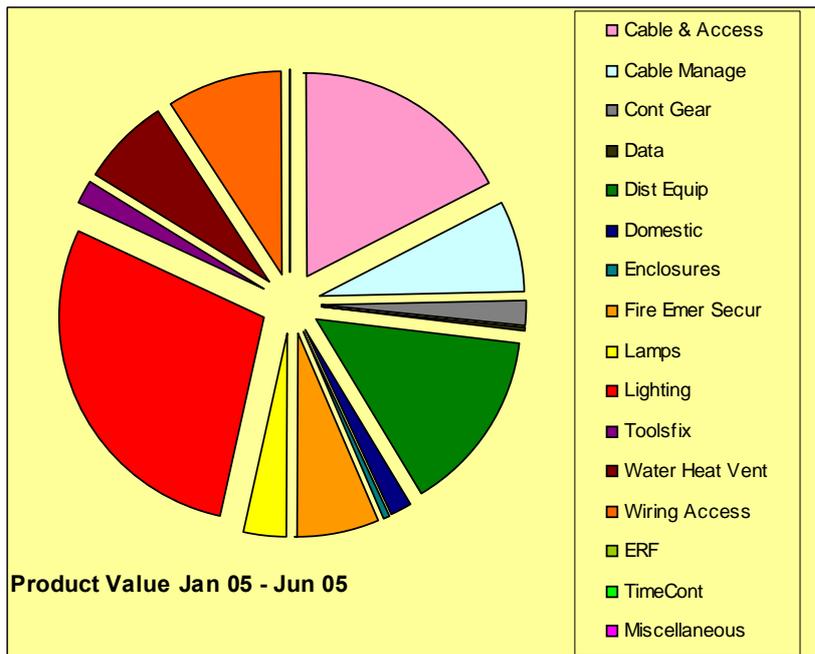


Figure 5.1 - Graphs comparing sales by product segments in terms of value.

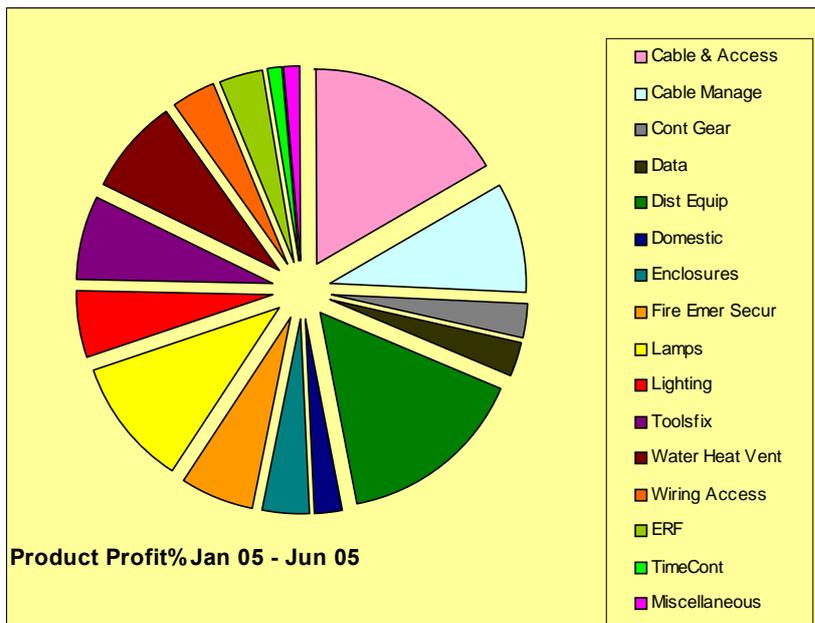


Figure 5.2 - Graphs comparing sales by product segments in terms of profit.

The financial performance of ABC Electrical as shown in Figure 5.3 in terms of gross profit against forecasted figures and such other measures demonstrated that it was a stable and healthy company but not demonstrating rapid growth month on month or year on year. The reports generated at ABC Electrical for the directors on a regular basis focused on sales figures and standard indicators were gross margin, turnover, percentage margin and total sales.

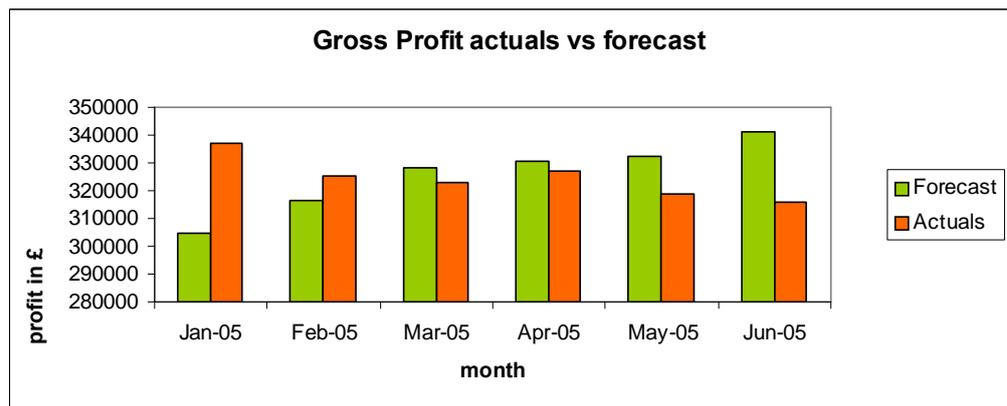


Figure 5.3 - Graph comparing actual vs. forecast gross profit

When presented with some of these results regarding product sales, the Managing Director (MD) said he was not surprised. He had apparently started a similar review of profitable product segments with great enthusiasm. He dug out heaps of paper print outs with tables of product group sales. But he seemed slightly overwhelmed by the amount of data that he had collected and said he did not have the time to think about how to use that information to develop coherent strategies. Therefore he said he was pleased to hand it over to the marketing person of the company and hoped that the Associate could use that data. This demonstrated the expectations from the Marketing Function and the impression that the Marketing Division was more suited to crunch information and act accordingly rather than the process of sharing information across all departments to undertake a coordinated company wide response. As far as collection of market intelligence, this was not the responsibility of any individual or function and therefore in the absence of a dedicated marketing function, the company lacked resources to undertake this activity. The Managing Director (MD) delegated collection of market intelligence but this was without an appropriate system in place for evaluating the results in conjunction with the marketing function to be used as an input for business planning and business strategies. This was also linked to an inability as Directors did not have training in creation of business plans and the understanding of their advantages.

At the Head Office of the ABC Electrical, the annual budget forecasting mechanism developed by the Managing Director (MD) and the Financial Controller did not specifically input market intelligence. Forecasting was a process of calculating sales from the same major customers as previous years and splitting into 12 parts without factoring in growth plans, market trends, market share targets etc. The company as a whole did not commit to a specific business plan and all employees were not aligned as to what plans and

strategies they were meant to follow or even the main objectives of the company beyond the knowledge that they had to grow in sales and most of all gross margin.

The Associate also undertook product analysis at individual sales office level and the outcome of this analysis was shared with all the individual sales offices. The Sales Director provided support to the Associate in the dissemination and sharing of the above information with the local branch managers. During these meetings it emerged that most branch managers were not accustomed to reviewing results regularly by breaking them down according to product group, customer segment etc. The practice of sharing results with the rest of the team within the branch or planning strategies and activities in response to company results was not prevalent in these SME units. Some had a generic awareness regarding strengths in particular product groups against local competition but no mechanism was in place to update and review this information on a regular basis. In most branches the managers acknowledged that their business suffered from over reliance on electrical contractors and that they often needed to diversify in response to market opportunities when this was pointed out by the Associate in the presence of the Sales Director. Although the branch managers had become aware of this they were too overcome by day to day running of the business and serving current customers to actually take steps to target and explore new markets. There was also no involvement of the rest of the employees in the branch other than the Business Manager in terms of information collection or sharing regarding performance, product sales details, customer details or comparison against local competition. It was also found that ABC Electrical branch offices did not interact or share knowledge with each other regarding success stories and failed promotions. All the above assessment and information indicated the lack of skill and training in collecting and interpreting information regarding the company's performance vis-à-vis markets.

In terms of management style of the SME, similar to the literature review, the Researcher noted that ABC Electrical used low cost and informal methods to collect market intelligence. Figure 5.4 shows an e-mail sent by a Branch Manager to the Associate demonstrates their unwillingness to invest in market intelligence and market data and at the same time as an SME their desire to be resourceful in obtaining market intelligence rather than following the conventional way of purchasing this data.

**Sent:** 08 August 2005 13:29  
**To:** Asmita Deshpande  
**Cc:** Tom; Ron  
**Subject:** FW: Top companies in Leicestershire[Scanned]

Hi Asmita

I was trying to get hold of a list of top companies in Leicestershire (by number of employees). My thinking was that where there are lots of people there will probably be someone responsible for facilities / site maintenance – responsible for making sure that all light bulbs work etc. These sites will need to purchase lamps, cable management products etc. so would provide an alternative target.

While, I now know that this information is available I am reluctant to pay for it as I think we may be able to glean this information via other methods. Any ideas you have would be welcome.

Best Regards

Alan  
 Business Manager – Leicester Branch

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**From:** whitehead.d@chamberofcommerce.co.uk [mailto:whitehead.d@chamberofcommerce.co.uk]

Alan

Thanks for the email. We do provide lists of companies and can target companies in any region by postcode, county etc depending upon their employee size, market sector, SIC code or example. The information could be supplied by email as an Excel spreadsheet

#### Figure 5.4 – Example of minimum investment in market intelligence

Hill and McGowan (1996) described the personal contact networks that are often the primary source of market information for owners of SMEs. At ABC Electrical, the directors relied heavily on such networks. They built relationships by attending formal and informal events such as monthly meetings organised by ANEW (Associated National Electrical Wholesalers) the largest national independent buying group made up of 42 independent companies where ABC Electrical was an active member. The membership of ANEW was very important to ABC Electrical given its massive purchasing power to offer competitive pricing of branded products and wholesalers across the country as members who altogether had about 300 branches nationwide. When ABC Electrical decided to install a new information technology (IT) system, they got invaluable input from other ANEW members who traded in southern England such as R&M Electrical. The Directors of ABC Electrical also interacted with suppliers informally to learn about legal, political, social changes that were likely to impact the electrical industry. This included an organised annual skiing trip where customers and suppliers were invited and socialised together at dinner events managed by the Electrical Contractors Association and such others. Customers and Suppliers supported ABC Electrical predominantly because of their individual good relationships with the owners as the Associate learned on a visit to the branches with the Managing Director. The sales director was an active member of the Nottingham Electrical Club and senior managers also attended their events. The Directors also invited suppliers and customers for golf days and used these for networking too. These

appeared to be suitable and cost effective methods to obtain market intelligence for an SME and the Associate as Marketing Manager also did not feel additional expenditure on purchasing more detailed market research reports or figures was justified.

Thus senior management was creating some opportunities for collecting market information appropriate to SME requirement and resource constraints. They were not however successfully interpreting the data available to them and responding to the information accordingly themselves nor disseminating the information and setting up a company wide response mechanism. For example the Managing Director provided the Associate with a copy of a report on the Waste Electrical and Electronic Equipment (WEEE) directive and its repercussions. The Directors had several discussions on this however the flow of information about such market trends and resulting scope for growing the business in particular the lamps market in this case remained restricted to the Managing Director, Commercial Director and Sales Director. In addition to lack of training and skills for collection and dissemination of market intelligence, the Researcher attributed this to the reluctance of the Owner/Directors to change their autocratic and secretive management style.

As stated by Ward (1987), owners prefer to limit growth of the firm if it threatens their own sense of control and ownership as they operate a low risk conservative business and are unlikely to focus on diversification as their main growth strategy. In contrast Allio (2004) viewed this as part of the strength of family firms to be focused on their niche market without changing strategies based on market changes. In the case of ABC Electrical, the need and desire to expand had been expressed by the Managing Director and admitted to by the Business Managers. They however were reluctant to take more and different steps to attract different customer types. They also felt most comfortable dealing with electrical contractors and preferred to carry on trading with the same customer type.

#### **5.1.1.1 Conclusions of Market Intelligence observations**

The Researcher analyzed the very limited extent of Market Orientation in terms of intelligence collection, dissemination and responsiveness in the case study company at the start of the period of study with the following conclusions:

- Some market intelligence was collected using informal methods such as networking. Some Business Managers at branch offices such as Ilkeston and

Blaby said they had used customer questionnaires. There was an opportunity for more low cost primary research with specific objectives. The company spent very little time and resource on market research regarding competition, new lucrative customer segments etc. This indicated that limited understanding and awareness of marketing techniques available affected market intelligence collection.

- Dissemination of the information was sporadic to non existent. The influence of the Owner/Directors' secretive nature prevented sharing of information with relevant stakeholders in the company. This was also down to their inability and unwillingness to implement more transparent decision making and enable others to question strategies due to fear of losing overall control. Thus the family owners' personal characteristics and preference for control through confidentiality led to lack of information dissemination. This was observed to be the management style of the company. The Researcher was informed by the Managing Director and the Commercial Director that they had recently undergone some personality training which revealed them to be authoritarian managers with fixed views whereas Tom, the Sales Director, was identified as more of a 'people's person'. However the reluctance to change as commonly observed in SMEs was evidently existent which led the Managing Director and the Commercial Director to continue with the existing working practices.

The Researcher thus observed some evidence of market intelligence collection but in terms of interpreting which was the most useful information and determining an appropriate response there was no process in place and a coordinated response was lacking at all levels of senior management, branch level managers and amongst the rest of the staffs. The company performance reports were not used to make business plans and strategies and neither the information nor resulting plans nor objectives were communicated.

The missing elements were therefore identified as below:

- An understanding of the importance of market intelligence collection and dissemination
- Awareness regarding method to collect and share information

- Management ability to delegate, prioritize and organize business processes to be able to respond to market information and
- Unwillingness to explore and expand due to a reluctance to change even though they were conscious of the need to do so.

Some enablers were also identified such as the ability of the Owners/Directors to network for being up to date with relevant information about market regulations, competitor's strategies and assistance between friends. For instance some suppliers offered good rates to ABC Electrical in order to support a small independent company, family businesses supported each other above and beyond business reasons and shared information on that basis so that not only neutral information was shared but informed business opinions were shared with the Directors. Also due to centralised decision making, there was a flexibility and willingness among senior management in the company to act quickly in response if required. However innovative ideas and solutions were found to be lacking because the information was not shared with more stakeholders and because outsiders did not get easily promoted to the core team in order to be able to bring in new ideas.

### 5.1.2 Customer Focus

Customer focus at the start was missing at ABC in terms of targeting all suitable customer segments to reduce dependence on few customers. This was attributed to reluctance of senior management to delegate and encourage risk taking among business managers. Also the customer service provided was internally focussed based on strengths of the company rather than based on what customers valued most. Longstanding relationships with existing customers however did demonstrate some success as regards customer loyalty and a great deal of resource was spent on maintaining that loyalty.

The analysis of company reports revealed some information regarding who ABC's main customers were, how the product needs of these customers in different segments differed, which segments had very little representation in ABC's customer base despite having similar needs etc. The Commercial Director assisted the Associate in this analysis in terms of creating customer segments as electrical contractors, mechanical contractors, facility maintenance managers, retail, kitchen and bathroom fitters, public authority and end users. Electrical Contractors were further segmented as domestic, industrial and commercial contractors. The Directors were familiar with these segments however in discussions with

staff at the individual branches or in management meetings when strategies to increase sales were debated; they were not focused on specific customer segments. The Associate travelled to the branch offices with the Sales Director and discovered during discussion of the brand sales figures analysis that the branch managers lacked a clear awareness of key customer segments to target in a given time period. The Figure 5.5 shown below is a copy of the communication from the Associate to initiate interaction and create awareness from branch managers.

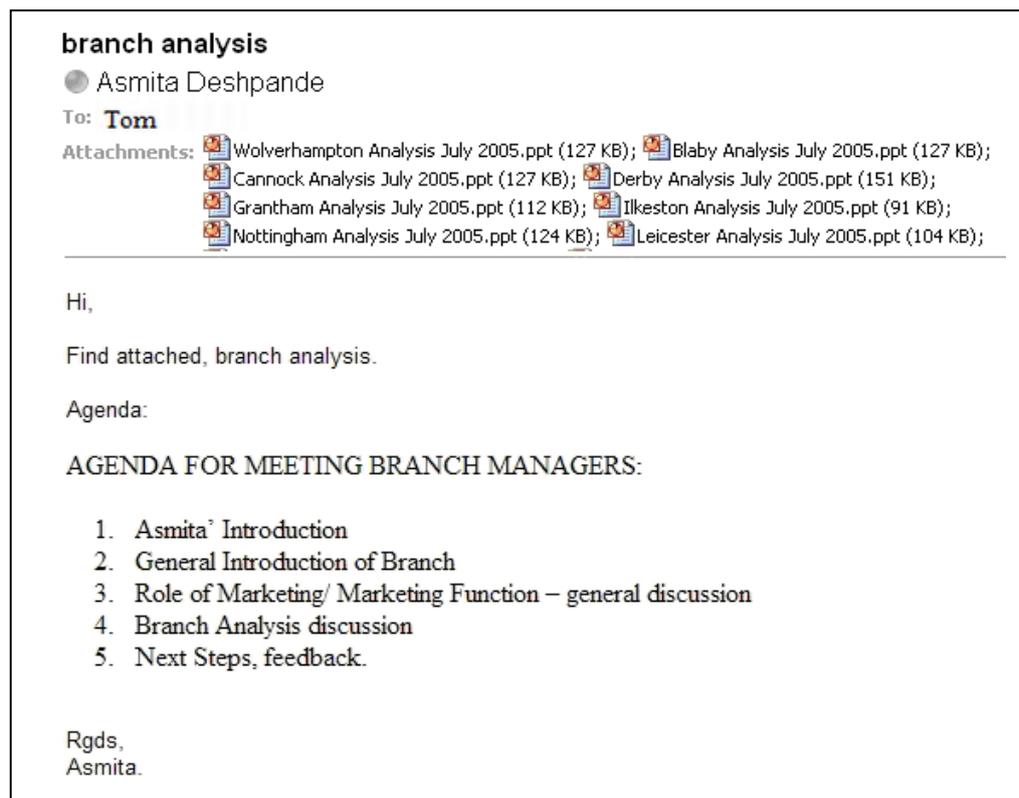


Figure 5.5 – Interaction and awareness for branch managers

Branch staff was found enthusiastic to serve all customers in the same way as did the Directors and Branch Managers as per the management style of the SME which remained unchanged over long periods of time. They were traditionally not given to aligning their strategies to focus on specific customer segments other than electrical contractors and reluctant to let go of any potential customers. At one time, the Wilford branch business manager complained that one client electrical contractor would always try to get the lowest prices and a lot of time had to be spent making quotations for that customer with no sale at the end of all the effort. However at the same time as this electrical contractor was their

major customer they were reluctant to drop and go after other customer segments proactively.

Similarly all the different ABC Business Units had electrical contractors as the majority of their customer base. However the profits yielded from this customer type were lower than some other customers such as end user companies or the public sector. The Associate highlighted this discrepancy during the thorough analysis of company sales figures carried out and pointed out this to the business managers during the branch visits. The managers had different levels of awareness about this problem from none to a general awareness without the hard facts and statistics to back it up. Those that acknowledged that it was a problem looked resigned and were not sure how to deal with this actively. ABC Ilkeston was found to be one branch which managed to overcome this over the two years of the project. Therefore the Researcher looked into the changes in this branch in greater detail. The Researcher noted that in this case the Branches had no clear expectation from the marketing function with regards to specific assistance in identifying and targeting different market segments due to lack of clarity regarding the role of marketing in the company. The summary of the results is shown as Figure 5.6.

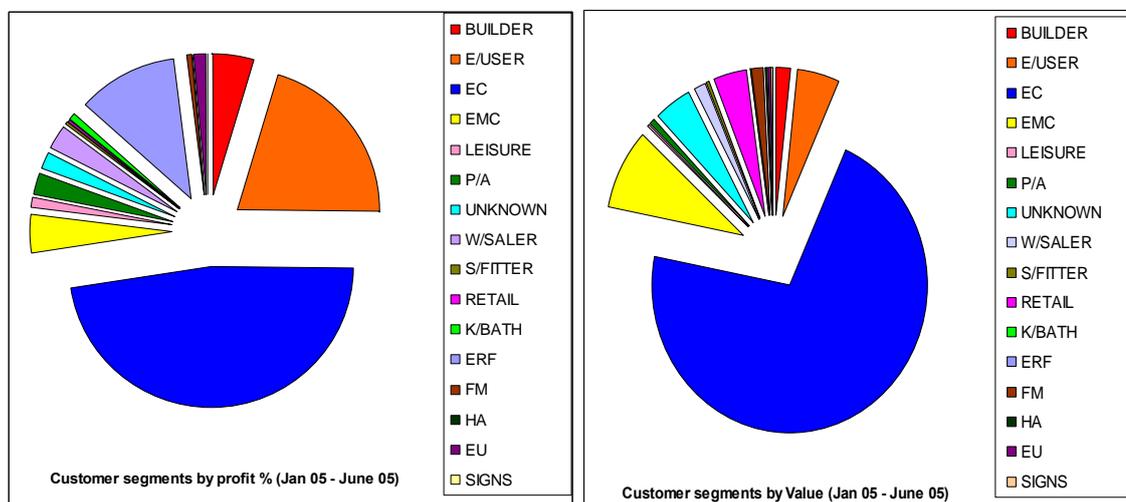
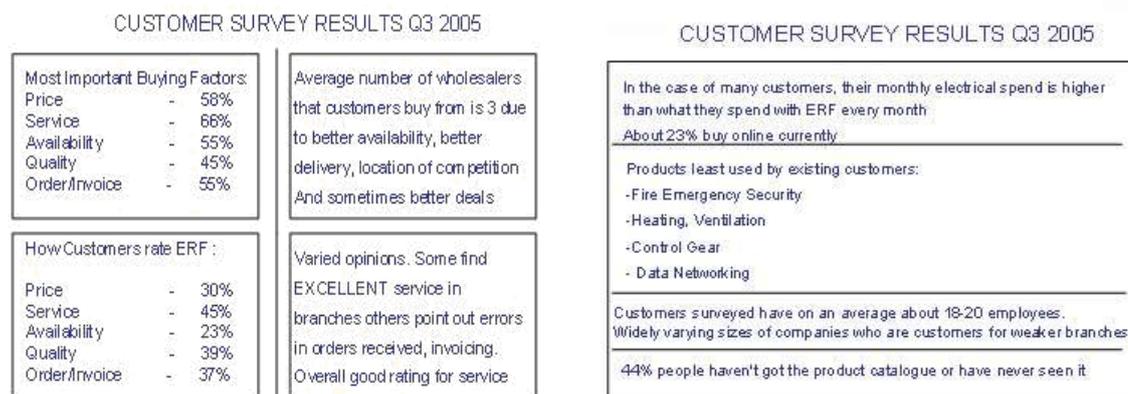


Figure 5.6 - Graphs comparing sales by customer segments in terms of value and profit

In the analysis of the company sales and margin figures as shown above in Figure 5.6, it was evident that the customer segments who bought goods of the most value from ABC Electrical were not the most profitable. This reinforced the conclusion that the bigger electrical contractors who were ABC's dominant customer segment did not offer an opportunity to maximise profit at all the branches. The smaller ABC divisions with only few staff members were not well positioned to serve large electrical contractors compared

to other national wholesalers who had greater resources. The managers also complained that competitors such as City Electrical Factors (CEF) having over 400 branches nationwide as well as a larger centralised support system were more price competitive.

Large electrical contractors had grown more and more price conscious over the years; they had built relationships with all major competitors of ABC Electrical and continued to buy from 3 or 4 wholesalers at any given time in order to ensure that they received the best price deals. This highlighted the need for Marketing and its impacts on sales. At the same time the contractors demanded quotations for every job and their ordering process required a lot of ABC resources to complete one order. Often ABC would spend a lot of time and effort finding the stock, pricing the goods and raising the quote only to lose the project to some other national wholesaler who cut better deals with suppliers and therefore could afford to undercut ABC. The Researcher found that this knowledge had begun to slowly percolate among the sales office staff. However responsive strategies and tactics were not in place. Thus customer focus in terms of targeting the most suitable customers and appropriate customer relationship management was not observed by the Researcher. In the next two months the Associate surveyed customers, staff and suppliers.



**Figure 5.7 - Customer Survey Results**

The total number of customer survey forms returned to ABC was about 10% of the total customer base and the Researcher concluded that ABC customers were not accustomed or motivated to provide feedback to the company and was linked to their habit of buying from several wholesalers as confirmed in the responses that were provided. The results of the customer surveys were presented in fig 4.7 above. The Associate shared these with the Directors and also the managers in the company at the second management meeting. In the survey customers were asked to give marks to ABC with 5 as highest for the company

service, price, stock, quality and paperwork. Accordingly the percentages as presented in Figure 5.7 were obtained. The survey revealed that ABC Electrical received high rating for customer service and that this was also very important to the customers. ABC Electrical had built strong relationships with longstanding customers. Large commercial electrical contractors serviced by some of ABC's bigger branches such as Nottingham, Leicester and one man band electricians buying from smaller ABC branches such as Blaby and Cannock had all been ABC customers for a very long time. This customer loyalty demonstrated some customer focus in these branches. The contractors knew individual staff at the branch and relationships with staff at the branch greatly influenced their purchasing decisions. ABC prided itself on its relationship with customers. However the survey also revealed that some of these companies were buying from three or four other competitors at the same time mainly because they became more and more price conscious. Also some customers revealed in the survey that stock availability was very important but ABC Electrical did not rate so highly in this area. Customers attached high importance to the accuracy of transactions. They felt hassled by the errors and cumbersome procedures in invoicing, account creation and order processing by ABC. Particularly they had rated ABC poorly on accuracy of invoicing, returns handling and cash collection as was borne out in customer surveys and conversations with branch staff.

The ABC offer focused on friendly service because everyone at the company believed it was ABC's strength. But simultaneously the staff did not give attention to factors such as invoicing, cash collection and returns handling which were rated as also important by their customers. This indicated an internal focus rather than flexibility to adapt according to customer demands in addition to lack of focus on targeting specific customer segments and the inherent inertia of the company whereby they were unable to bring company wide improvements. An Open Day organised at ABC Wolverhampton within the first few months of the Associates' project was an example of this tendency to stick to customer hospitality events that the company traditionally hosted despite the changing business practices where price competitiveness on selected products and follow up of quotations would be more effective tools for attracting large contractors who were key customers of the branch. Such customer hospitality events were frequently hosted by all branches and encouraged by the Directors. They believed it helped to build customer loyalty and the Researcher did get some anecdotal evidence for this at the Open Day from customers who boasted about how they were buying for decades from ABC. However although the

branches admitted that a lot of their customers still chose to buy from 3 or 4 different wholesalers and the customer survey revealed some of the factors that were important to customers. ABC Electrical did not commit accordingly to the required diverse set of strategies and marketing tactics to retain customers and grow the business with them. At the same time the company did not have published business objectives so that the Managing Director wanted to see more and more new business but the branches focused on customer loyalty instead. This demonstrated that in different SME units the culture was either in reactive stage or entrepreneurial but not Market Oriented.

#### **5.1.2.1 Conclusions of Customer Focus observations**

The researcher thus made the following conclusions:

- The existing customer focus in the company was mainly restricted to one type of customer segment namely electrical contractors. ABC branches needed to sell direct to retail, factories, offices etc. bypassing the electrical contractors but didn't work towards implementing this idea partly due to fear of jeopardizing existing customers and partly due to the inertia against new activities. This reflected their reluctance to change as an organization. The failure of the owners/Directors to encourage risk taking and delegate enough authority influenced branch managers so that they were afraid to let go of some old customers despite their lack of profitability because of constant pressures for sales and margin growth.
- The Directors also recognized that they were over reliant on the one customer segment of electrical contractors and repeatedly reminded the managers regarding this in management meetings. But they had not formulated and shared the strategy and plan of action to diversify and get more new business from other customer segments such as end users, facility maintenance contractors, public sector customers etc. Their management style was unaltered and they admitted to some lack of skills and training in setting realistic targets, planning and making strategies to actively achieve business targets and align all activities accordingly. The Managing Director believed that the Marketing function would fill this gap. The owner's constant reminder to get new business coincided with the pressure for greater sales and branch managers struggled to meet multiple objectives and thus failed to diversify.

- ABC service provided to customers in terms of stock and supply was in places superior to competition. Customers appreciated the relationships developed by front line staff in some branches with them. However staff at ABC being unaware of this strength did not leverage it to build greater customer focus and more successful business. Nor were they actively seeking to improve service in other areas such as invoicing, communication with customers regarding delivery etc which had emerged as important to the customers as summarized above in the results from the customer surveys. This reflected a reluctance to change and internal focus

Owners/Directors relied on the managers themselves to find a way to satisfy customers or expected the Associate to do this. They fell back on their traditional management style where all the responsibility was delegated without proper direction or guidance. The owners/directors had greater expectations in terms of quick turnaround on impacts from the Marketing function and didn't expect that they would have to lead and announce priorities in order to achieve a company wide customer responsive service.

In the absence of demonstrated success, the owners did not buy into the idea that their SME environment was suitable for spending the time and resources on planning, communication of strategy etc. for achieving customer focus. They seemed to resist any request to clarify what strategies and tactics they wanted the branch to follow or clarify amongst them how to improve customer focus and believed that too much information sharing would result in loss of their control. They insisted instead that they wanted the branches to be enterprising and original in their own way of working although they also acknowledged that this was not working successfully in most branches and over reliance of Directors on the branch manager was a problem. The branches were encouraged to have independent relationships with Suppliers too and also to be aware of the local competition. The Researcher attempted to establish the focus on competitors that the company had.

### 5.1.3 Competitor Focus

In this section the Researcher made an assessment of the level of awareness at ABC regarding competition and response taken to mitigate competitor's threats. Some information regarding competition was made available to the Associate as part of the KTP project which has been summarized in the third chapter. The Associate was informed by the Managing Director and the Commercial Director that ABC competed with national

wholesalers for big projects as well as for big electrical contractors at each of the branches due to their price advantage. The MD gave examples of competitors' strengths such as Edmundsons and CEF being strong at leveraging supplier relationships due to their particular autonomous branch office set up or Neweys being good at price wars due to their available resources and experience. But despite being aware of tactics used by competitors ABC did not articulate or adopt counter strategies to increase market share. Also the Directors had this knowledge but did not explicitly document, monitor it or make it available to rest of the staff in the presence of the Associate. Interviews with staff members at branches conducted subsequently revealed that knowledge regarding competition across the company was not consistent but differed based on individual experience and interest.

In the absence of resources to fund competitor research there was little data available to make an initial assessment of where ABC stood as compared to competitors. In the customer survey it was already revealed that even loyal ABC customers continued to shop from leading competitors as well. Additionally the Associate surveyed suppliers as part of the initial audit of the company in the first few months of the project. Analysis of responses of the suppliers helped to evaluate the Market Orientation in terms of the competitor focus. ABC had a very close relationship with a lot of manufacturers. About 50 of these were chosen with assistance from the Commercial Director and sent survey forms to gain a picture of how ABC was regarded in the market place. 18 suppliers responded from the 50 or so suppliers who were emailed the survey. These companies were a diverse set of companies with their own market share ranging sometimes between 0 and 10%, 11 and 25% and 26 to 40% as per their response in the survey. This enabled the effort of the Researcher by getting a perspective of how the company ABC was viewed by the market place through responses of large and small manufacturing companies and the people who worked there at senior levels and were therefore likely to know the industry well. The survey helped to determine how ABC compared with other electrical wholesalers as most of them stocked products from these suppliers. The level of interaction with ABC in terms of joint promotions appeared to be consistently lower than that with other competing wholesalers. This was evident as seen from the samples of forms returned from some suppliers in Figure 5.8 and Figure 5.9. Another striking result was in the ratings given by the suppliers regarding ABC's reliability, accessibility of staff, product related problem handling capacity and stock planning. In the three areas of reliability, accessibility of staff and product related problem handling on average ABC scored 2 out of 5 where 1 was the

highest score possible. However in stock planning the score ranged between 3 and 4. Lighting suppliers such as ASD Lighting, Fern-Howard Lighting, SLI Lighting, Illuma Lighting all suggested that the total number of joint promotions they had held with ABC in the past year ranged between zero to five. With other wholesalers the number was between 5 and 16. This was also reflected in the feedback from other suppliers such as Tyco Cable Management, Heatrae Sadia, MK Electric. All suppliers who answered the survey stressed their willingness to assist in more product promotions, to organize more product training for staff and to set up a simpler pricing structure with ABC and confirmed these as ongoing activities with competitors.

Route used by the sub-supplier to go-to-market

Wholesaler  Direct  Retail  Other (Specify).....

Total average number of Joint Promotions with other Wholesalers launched in 2004

1-5  6-15  16-35  36-75  76+  Don't Know

Number of Joint Promotions with wholesaler launched with ABC in 2004

1-5  6-15  16-35  36+  Don't Know  0

Where ABC ranks in your list of top Wholesaler partners in the Midlands

1-5  6-15  16-35  36+  Don't Know

Where ABC ranks in your list of top Wholesaler partners in the UK

1-5  6-15  16-35  36+  Don't Know

Would you agree to do a product training for our staff  Yes  No

Would you like to setup a simpler pricing structure with ABC  Yes  No

Rate the ABC team on the following factors (1 = excellent, 2 = good, 3 = satisfactory, 4 = poor)

3  Accessibility of staff  2  Reliability  2  Product related problem handling  2  Stock Planning

Figure 5.8 - Form completed by one supplier XYZ (GE)

Route used by the sub-supplier to go-to-market

Wholesaler  Direct  Retail  Other (Specify).....

Total average number of Joint Promotions with other Wholesalers launched in 2004

1-5  6-15  16-35  36-75  76+  Don't Know

Number of Joint Promotions with wholesaler launched with ABC in 2004

1-5  6-15  16-35  36+  Don't Know  0

Where ABC ranks in your list of top Wholesaler partners in the Midlands

1-5  6-15  16-35  36+  Don't Know

Where ABC ranks in your list of top Wholesaler partners in the UK

1-5  6-15  16-35  36+  Don't Know

Would you agree to do a product training for our staff  Yes  No

Would you like to setup a simpler pricing structure with ABC  Yes  No

Rate the ABC team on the following factors (1 = excellent, 2 = good, 3 = satisfactory, 4 = poor)

3  Accessibility of staff  2  Reliability  2  Product related problem handling  2  Stock Planning

Your comments about ABC's positioning, ABC's image in the marketplace

...Well recognised large independent wholesaler offering good stocks, delivery and technical back-up...

Figure 5.9 - Form completed by another supplier UVW (BG)

There was some consistency in the way suppliers viewed ABC and that was primarily as a strong wholesaler within the Midlands region having good relationships with existing customers based on relationships and product knowledge to a degree. Some of the quotes from suppliers regarding ABC were as follows:

“I think ABC have a strong positive image, I think they can continue to grow but probably would do well to have a few more specialist skills and specific customer focus.” ó Cooper Lighting

“A good regional company particularly in the East Midlands, who historically have been strong in lighting products.” - SLI Lighting

“Well recognized large independent wholesaler offering good stocks, delivery and technical back up.” - BG Electrical

“My perception of ABC is that you are a very strong regional distributor with strong customer relationships built on good service.” ó Schneider Electric

A couple of wholesalers also recognized that with Ron as the MD, the new management was bringing change into the company. For instance, the supplier Fern Howard stated their “perceived image of ABC as a changing or modernizing company over the past 12 to 18 months.” Another cable management company Mita responded that “*ABC have for many years been a leading wholesaler in the Midlands. MITA have seen the benefits of the restructuring within the company.*”

### 5.1.3.1 Conclusions of competitor focus observations

In summary the Researcher concluded that

- ABC lacked competition focus to the extent that Directors did not regularly and frequently share knowledge about competition with rest of the staff
- They did not adopt counter strategies against competitors at company level or branch level Compared to competition, ABC did not utilise every opportunity to organise joint promotions with suppliers or set up product training and as a result several competitors were known to have closer relationships with competitors.

- On the whole ABC's strategy with regards to competition was not clearly laid out and the management style of the Directors demonstrated a lack of understanding and reluctance to change with regards to proactive action based on competitor focus.

During survey of manufacturers to get a view of ABC from the point of view of the industry it emerged that ABC was considered to be reliable, accessible, friendly but not always strong on having the right stock. Also the influence of the owner in improving ABC over the last 12 to 18 months was noted. Some suppliers appreciated the fact that such a survey was being conducted and the Directors fully supported the Associate in the surveys. So this activity of conducting the survey itself made the company appear in a more positive Market Oriented light to suppliers, customers and staff alike. As an example, Greenwood Air Management (Kevin Bergin) stated, *"We believe that you are well regarded in the market and appear to be doing more than most others to maintain that position. We have never received similar correspondence from any of your competitors"* This attempt to improve knowledge about competitors and customers perceptions was thus also a starting enabler to cause Market Orientation development.

#### 5.1.4 Inter-functional coordination

Inter-functional coordination is the coordinated utilization of company resources in creating superior value for its customers (Narver and Slater, 1990). The Researcher analysed the existing level of coordination across the company in terms of sharing of information between the different departments of the head offices and sales offices, sharing of information by the owners/directors with the branch level managers and their response and contribution in business planning and implementing strategies. The procedures and structures embedded in the company to enable communication and coordination had to be analysed. Also the willingness of staff at the Head Office and across the ABC branches to communicate with the Marketing function created by the Associate was observed to determine extent of inter-functional coordination (Narver and Slater, 1990; Gray et al., 2002). It was found that despite friendly informal relationships among functional heads there was a lack of teamwork with each Director preferring to do all the work with their own initiative to impress the owner. This was because of owner's encouragement of such a culture in absence of formal procedures for coordination at the start of the project. This changed over the course of the project resulting in great improvements. Inter family

tensions along with lack of planning and a short term focus all contributed to Sales Orientation. A lack of good two way communication between staff and senior management was attributed to perceived inconsistencies in messaging from the owners/Directors as well as lack of follow up and continuity. Initially there was reluctance to coordinate with the marketing function due to a lack of understanding of the role of marketing and lack of the process and structures necessary for coordination. Tensions within the family also contributed to this initial poor coordination.

#### **5.1.4.1 Communication and Coordination between Department Heads**

The different departments of the company such as Commercial, Sales and Finance were headed by the Directors and Financial Controller who were all based at the head office in adjoining offices. They appeared to have an excellent relationship, went out for lunch whenever at Head Office and held informal discussions when required. Despite this open communication, the Researcher observed that these functions failed to work productively for common objectives. When a Director had a new idea or a new project, he would drive all aspects of it himself. For example in the first six months the Managing Director was working on obtaining a major contract with the Government and he would contact supporting suppliers himself regarding sourcing appropriate stock, work with the partners, make presentations to improve the sales with the local branch manager without delegating relevant parts of the work to the Commercial or the Sales Director. This management style led to higher risk of failure as specialist knowledge of particular functions was not leveraged with longer time being taken for each project instead of achieving synergy, and a great deal of personal involvement of any particular owner/director in their own project so that they would negotiate with higher stakes to win the deal to avoid personal failure. The work undertaken within the departments was not guided by coherent strategies to deliver the same business objectives as per a documented company business plan.

The Researcher observed that whilst the relationships among the financial controller, Sales Director, Commercial Director etc. were friendly and they verbally acknowledged the importance of team work, they were not provided the incentive to succeed together as a team. On the contrary they were also encouraged by the owner/MD to pursue their own ideas in making their work profitable for the company just like the branch managers were encouraged to make all decisions for their branch themselves as entrepreneurs. As per designated job descriptions, Jim who was the commercial director was responsible for

stock maintenance and relationships with suppliers. The Sales Director was responsible for sales. But as they were all encouraged to independently build contacts with suppliers, the Directors mainly took efforts to make their own idea successful and did all parts of the work themselves. This led to conflicting strategies being implemented at the same time. For example Jim would meet 2 or 3 suppliers in the week but instead of leveraging from that support and knowledge thus gathered to implement promotions across branches accordingly, Tom as sales director would be promoting some other scheme such as the promotion with Kewtech. A copy of the communication is included as below in Figure 5.10.

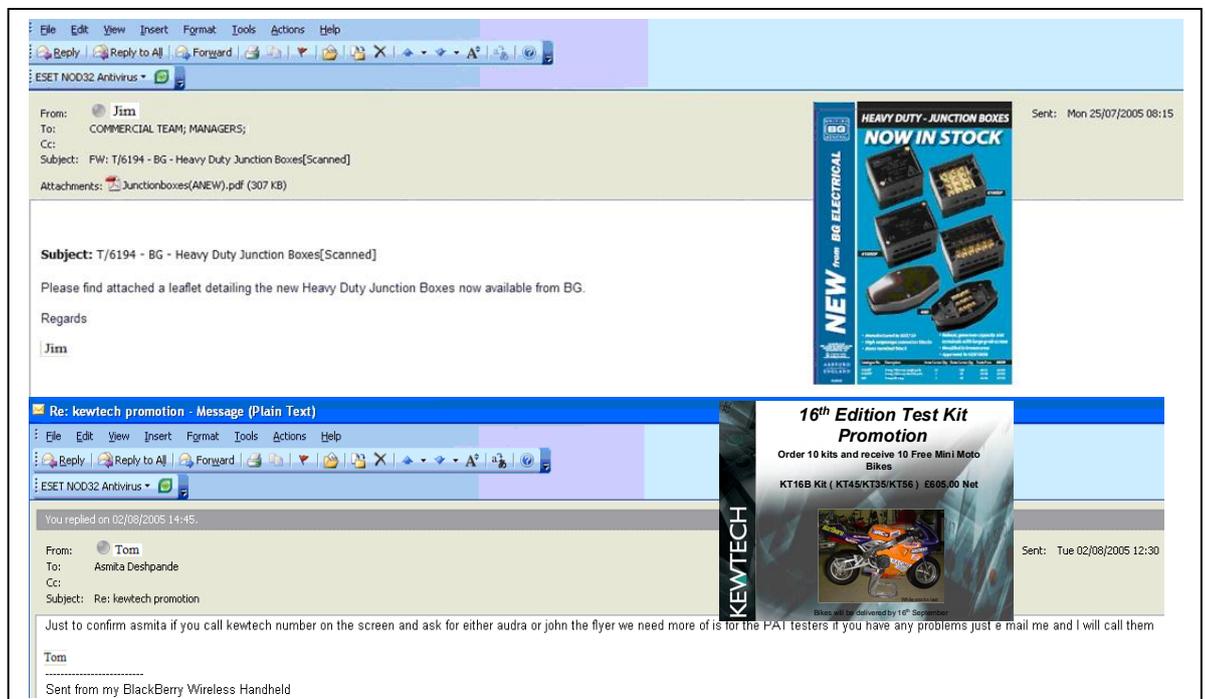


Figure 5.10 - Communication and Coordination

Thus the Researcher observed a lack of planning regarding the promotions to be undertaken and lack of mechanisms set up to avoid repetition of work and instead ensure team work and continuity amongst the Department heads. The owner neither monitored nor provided incentive to encourage team work. This influence of the owner resulted in only some informal cooperation between Directors depending on their personal relationships that varied from time to time but systemic coordination was not observed. (Fuller, 1994; Carson, 1985) noted that SMEs preferred owners/managers to be generalists due to a lack of experts and specialists and control was tightly exercised through informal practices. As observed above, ABC Electrical management did not put in place formal procedures and the Researcher concluded this was likely to be due to fear that it might

limit their freedom of action and independence and lack of training and experience of how to set up processes.

Another barrier to good coordination was the friction between the Directors and brothers which was evident in the lack of support given to ideas from the Sales Director by Ron and Jim during the Management meetings. For instance in that period the Sales Director Tom was also advocating the purchase of a Customer Relation Management (CRM) software called Vecta. In the case of this new CRM software as for his other proposals he failed to gain the backing of the other Directors. The Associate noted with this instance that where an investment was required, it was assessed against the test of being business critical in the present. ABC was reluctant to look at investments such as the CRM software because they focused on cumulative long term returns. The CRM solution was perceived as too high tech and the value in the short term was not easily visible. This observation was regarding not only clashes between family members but also the management style of the Owner/Directors that was linked to the lack of planning and the focus on short term sales as described above in the section about responding to market intelligence. This pointed to clear Sales Orientation rather than Market Orientation

Ron as MD was dissatisfied with the performance of his younger brother Tom as the Sales Director. In this he had the support of the Commercial Director. Both brothers were shareholders of the company although details of ownership were not revealed. Tom, the Sales Director wished to continue to be actively part of the management and Ron as Managing Director determined that Tom was not as effective as Sales Director and took the following step in the first six months to express this. He proposed that the Directors should all be part of a body called 'One Team' which would meet and interact regularly on a formal basis, share information and have clearly documented roles allocated to them. As owner/MD Ron described this measure as taking some proactive efforts to improve inter-functional coordination at the Head Office and with the branches by announcing his decision to restructure and introduce greater team spirit within the company structure. Accordingly he called the first one team meeting and began allocating roles.

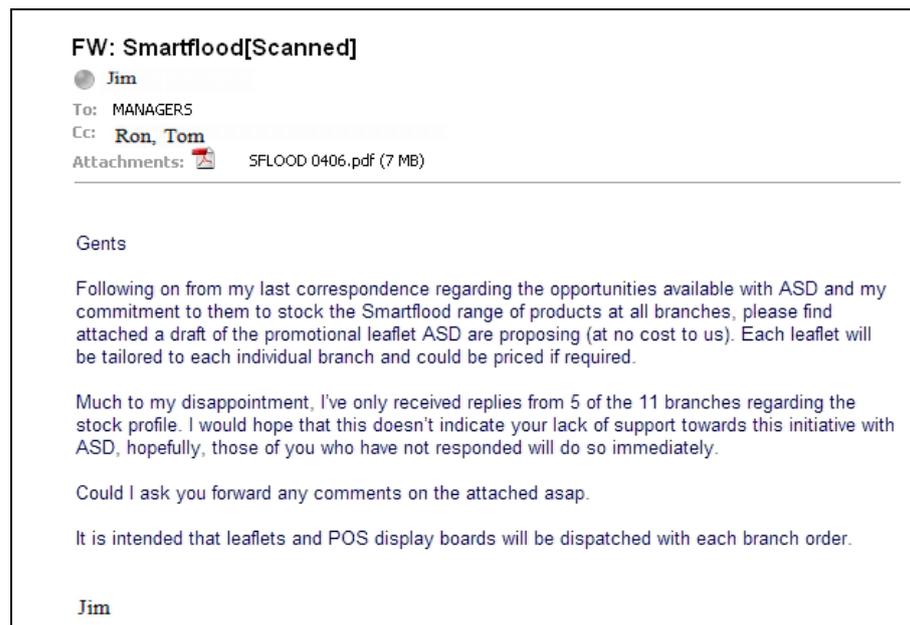
TEAM	SALES	MARKETING	PEOPLE/H.R.	COMMERCIAL	FINANCE/H.O.
Setting and Ensuring Our Standards	General: All Areas Of Branch	Project Project Sales	See	People - our most valuable asset	
General teamship	Forecasting	Run as a separate arm		working with the '1 team director'	
Communication	Promotions	Forecasted separately		Training	
Customer relations	Performance Review	P & L separate		Employment	
Supplier relations	Branch GP	Setting up business		Appraisals	
Inter branch relations	Customer base	Project mgmt team		Welfare	
Welfare and well being	Customer spread	Sales force		Sickness	
Service	Diversity	Project managers		Salary Reviews	
	sales force management	Staffing		Staffing Levels	
	new markets	Customer base mgmt		Team Building	
	new products	Growth targets			

**Table 5.1 - One Team structure proposed by the MD (Restructuring at Head Office)**

The owner/MD proposed that the younger brother Tom should move away from Sales gradually and take over the role of the 'One Team Director' who would be responsible for relationships with customers and to an extent with all other stakeholders also. He had the support of the Commercial Director in claiming Tom's lack of effectiveness in his role as Sales Director. This was not immediately implemented at the time but the idea was first floated.

#### 5.1.4.2 Communication: Directors with branch managers and rest of staff

ABC Electrical had its head office in Nottingham, ten sales offices across East Midlands and another two sales offices in the West Midlands. The geographical distance was one main factor that the Directors said was a challenge in their effort to ensure communication. Directors communicated mainly with the branch managers only and in turn relied on them to pass the information on to their respective staff at each branch office. There was not an independent mechanism in place. Communication methods with branch managers were formal and included four quarterly meetings and an annual review at the end of the year. In terms of sharing information related to pricing, supplier offers, and business strategies that would be implemented in the branches as a result, very often the Directors communicated with the managers of every sales office either through group email or the quarterly management meetings. The Researcher thus observed more one way communication from the Directors's side. The Directors complained that Managers did not participate actively in these meetings or in response to emails, that although they tried to involve the rest of the management in the decision making process they invariably obtained a very poor and unenthusiastic response from Branch Managers as seen from the example below in Figure 5.11 of an email from the Commercial Director to branch managers:



**Figure 5.11 – Email communication from Commercial Director on Branch Managers participation**

But the branch managers countered that their enthusiasm to respond was low due to inconsistency in messaging from the Directors and lack of time. For instance the Grantham branch manager lamented lack of continued support for initiatives and said

“Here Tim suggested there will be another change next week. There is no continuity at ABC. We are doing this today, that tomorrow. If it works at one branch then it will work at they don’t tend to let you get on. Here it is a lot more hands on. They know what is going on. But what Directors think is a good idea doesn’t always work.

When asked by the Researcher: “Do you get a chance to give feedback?” he replied saying “Yeah Tim was only yesterday taking feedback but then the action they take.

Another manager quoted what many claimed was the problem: “The branch being as busy as we have been, we have not had the time to do anything”

In terms of informal communication, Tom as Sales Director visited the branches on a bimonthly basis for about an hour long meeting with the Branch Manager and would then chat with the team informally whereas business matters were conducted in a private meeting with the Manager only. So Tom had a friendly relationship with some of the branch staff and he encouraged fun and banter with them. There was not however a practice to hold team meetings within the branch to encourage information sharing between managers and their staff and to get staff feedback. This indicated that Directors

wished greater participation from staff and branch managers but staff and the managers felt restrictions in terms of what response could be given and also suffered due to a lack of mechanisms and structures in place to allow them to respond. Also the Researcher observed that there was no mechanism in place to generate a direct communication between the Directors and the trade counter staff at the different sales offices of ABC.

ABC's performance analysis was also carried out at individual sales office level and summarized in the form of graphs of product sales, customer sales by segment, financial results etc. When the Associate accompanied the sales director Tom to the branches it was observed that most of the Managers were not receiving such performance analysis details nor expecting it nor being asked to discuss their responses but rather were only receiving league tables on a monthly basis as per the example below in Figure 5.12 and Figure 5.13 showing that their overall performance was mostly below forecast.

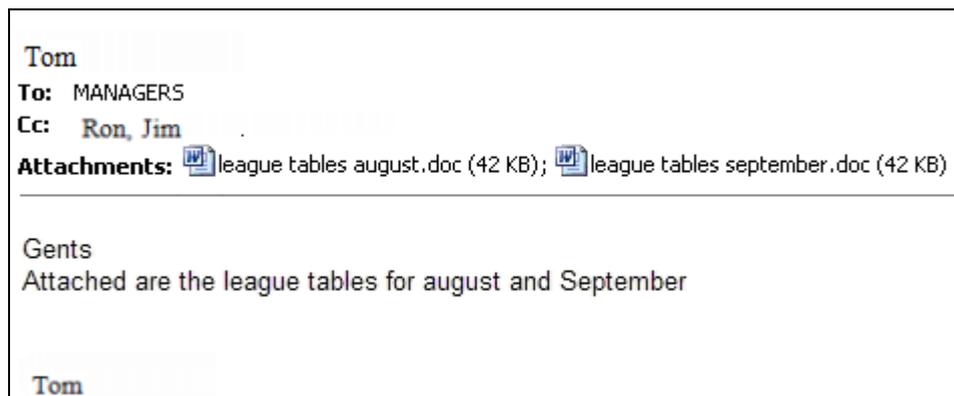


Figure 5.12 - Performance data communication

## SEPTEMBER LEAGUE TABLE

The league tables below are based on your agreed forecasts for 2005. All results are based against computer generated figures.

These figures do serve as a good guide for you within your businesses.

The tables below show two results.

**Column 1 is the £ result against the GP forecast**

**Column 2 is the % up/down against GP forecast**

	Business	£ up / down £		Business	% up / down
1	CANNOCK	7134	1	CANNOCK	31.85
2	Blaby	532	2	Blaby	2.07
3	Derby	613	3	Derby	2.10
4	Lincoln	4297	4	Nottingham	12.03
5	Ilkeston	8206	5	Lincoln	12.39
6	Wilford	8734	6	Leicester	24.17
7	Nottingham	10057	7	Wolverhampton	26.27
8	Leicester	10221	8	Ilkeston	29.49
9	Grantham	10232	9	Nuneaton	38.18
10	Nuneaton	11362	10	Grantham	47.21
11	Wolverhampton	14198	11	Wilford	49.48

Figure 5.13 – Performance data table

With the rest of the staff, there was also very one way communication in terms of giving tasks and getting them done from the staff members. For instance the PA at Head Office was very often asked to assist with other tasks related to marketing or purchase ledger and was quite capable to do these in addition when required. But when asked by the Researcher whether she was empowered she replied, *“I don’t think I have gained that authority because it is money we are dealing with. We do ask advice quite a lot. We wouldn’t do anything without asking permission because of the money side of it. But out of that yes I do like I think I have got the knowledge to do my job without asking but we are not talking about that are we. We have done this because of you know – we don’t get harassed at all like probably some other people. I think they know they need to keep an eye on us. They know we can cope and they know if we cant we will open our mouth. They ask us if we can cope before they give us work which is nice.”*

#### 5.1.4.3 Coordination between Branches and Head Office Functions including the Marketing Function

Staff at Head Office handled Sales Ledger and Purchase Ledger and the team was headed by the Financial Controller. Branch Managers had almost no direct coordination with such Head Office functions and had the perception that they did not have the responsibility of managing relationships with these divisions as they were not considered business critical. Any requests from Head Office were viewed as additional constraint on their time even though they offered mid to long term solutions beneficial to the branches. Branch Managers knew that they would ultimately only be measured on their sales and did not take time to respond to any other queries or coordination. Thus there was some distrust between Head Office staff and the branch staff. One sales ledger administrator told the Researcher that branches gave very little time and expected help as soon as they called the HO. She highlighted the feeling of us vs. them saying *“Let us take Nuneaton for example, they always want the easy way out. He wanted invoices going out 4 days ago. (I think) There is your business; I want to help you take it forward.”*

On the other hand staff at the branches who were meant to work in coordination with Head Office complained of too many restrictions and bureaucracy. At Nuneaton branch one member said *“I like to do invoicing myself but I am waiting for the other girls to do their job. It is the way the system works. If I get purchase invoice if I was to just accept the invoice then that causes confusion. That is why the Head Office does it. It is the way the system works.”*

Other feedback given to the Researcher as from the example below indicated a coordination based on longstanding personal relationships developed by staff over the years rather than based on a common Market Orientation and Customer Focus. One employee from the purchase ledger at Head Office said *“Every one knows me. Apart from new staff of course. It is good that they help because they know you. You can ring a manager and say ‘Can you help me’. In another business you cant appeal to their nicer nature. Here you appeal to the person not the position”*

#### 5.1.4.4 Response to the Marketing Function

The role of marketing was not defined when the one team structure was announced indicating a lack of clarity regarding this role and thereby lack of conviction regarding how Market Orientation could help. From responses given by branch managers and other staff

members it appeared that marketing was considered as unimportant or unnecessary by a majority of the employees. For instance a couple of managers said *“Marketing never thought about it much to be honest. Never been at a company where we had a lot of back up from marketing because marketing tends to be generated by manufacturers- very different to situation at ABC – it is probably a good aspect. Havent had any ideas about it yet.”*

Or that *“No I think marketing does not affect me personally I don’t think. Don’t have ideas for this branch with respect to marketing. My priorities are different.”*

Another said when asked about competitor focus, *“We do tend to sit in our back garden here. I don’t really know what Edmundsons is selling cable at or City is selling trunking at. I am here and fixed and try to do what I can for my customers.”*

Another staff member believed that marketing assistance in terms of cold calling would be appropriate to go after those target customers which represented a very limited volume of sale since a sales representative would not be utilising time well in approaching these customers.

The Associate was the first marketing professional employed at the company and interaction with most of the staff during the first six months and questions asked to the Associate such as *“So what does marketing do?”* revealed that, the role of Marketing within the company was not clear to the staff. Thus in the first six months most of the branches were not made aware of how to work with the marketing function and thus did not coordinate with the Marketing Function at all due to lack of understanding about Marketing. Gradual change observed in this level of coordination over the next two years demonstrated the changes in Market Orientation development.

#### **5.1.4.5 Inter Branch Communication**

In the absence of company wide structures for inter branch communication and cross functional teams formed with common objectives; there was little conversation between branch staff on a formal or informal basis as confirmed by the ABC staff to the Associate in the first visit to all the branches. Branches mainly communicated with each other only when they booked orders for stock from other branches and talked about its delivery. Some branches were openly competitive or unhelpful towards each other and did not share business knowledge. Within each branch and especially at the Head Office however the

Researcher observed an informal atmosphere with cooperation to share office tasks such as photocopying, sorting the mail, answering phones and making drinks for everyone. For instance when asked about inter-branch coordination the IT Manager explained, *“This is a more personal, smaller family business, no job is beneath any of us to help out to build relationships. Need to get to know people more because of a more personal foundation in a family business. Everyone has grown up through the company and are willing to get their hands dirty.*

One Assistant Manager from Grantham explained frankly, *“I don’t think the Carrs (i.e. family owners Ron Carr and Tom Carr) like to keep staff in the loop. Personally I know everyone at Wilford, Nott, Lincoln, here, Ian at Ilkeston so my interaction is pretty good around this area. If you go towards Birmingham I have met Nat, Dan but we perhaps don’t meet that much and have as much interaction as we should do. As far as assistant managers and reps go you know getting together would not be a bad idea. There must be people out there who don’t know me. I mean I know Mark and we help each other you know that sort of a relationship.”*

This was in accordance with Researchers such as Morris et al., (1996) who state that as a result of the paternalistic informal atmosphere, close inter-employee relationships and high motivation levels among staff are observed and high levels of trust and shared values are in evidence. At the same time they are often generalists and expect everyone to be involved in work at all levels. Thus the Researcher concluded that informal communication existed through friendships whereas systems to improve efficiency through inter branch coordination were not in place and there was actually only limited coordination but a lot of wastage through unnecessary repetition of work. The advantage observed was that the personnel with many years of experience in the same firm enjoyed comfortable relationships and a sense of belonging in the firm with limited hostility or rivalry (Allio, 2004). The feeling of being part of one big family did seem to inspire loyalty, commitment and trust but was concentrated in the employees closer to the owner and did not always lead to good team work due to lack of such a culture, guidance and direction. The same loyalty was also carried over to their business partners. Displaying similar characteristics of family businesses noted by File et al., (1994), ABC valued relationships with other suppliers and were very reluctant to take up the search process again once a vendor or supplier has been selected. For example strong relationships with manufacturers were more

important than product popularity or quality and ABC used the same printer for two generations although competitive quotes were offered. But the Directors admitted that ABC was not succeeding in leveraging good relationships with product suppliers to get maximum support in terms of financing promotions and events at the branches and obtaining exclusive deals to introduce new products and offer discounts. In this way there was insufficient inter-functional coordination with partners in terms of leveraging the relationship for greater support and many more joint activities on the ground.

#### **5.1.4.6 Company Structures to improve coordination**

One of the aims of this research was to determine the extent of coordination, formal structures in the company to enable coordination and the style of communication that was most successful to achieve Market Orientation in the context of family ownership within an SME. Goffee (1996) advocated formally defined decision making processes within SMEs while Allio (2004) stated that formalization may be thought to undercut motivation and undermine family relationship and that family firms are characterised by a high level of informality and decentralization. It was attempted to assess existing systems and structures in place at ABC Electrical. As an example the process of forecasting at ABC was examined. It was based on some historical data and predictions by managers themselves which they negotiated with the Directors each December for the following year. It was a basic process only consisting of checking historical sales with top customers not factoring in other influences such as competition, regulation, new opportunities etc. demonstrating a lack of established structures for business processes in the company.

#### **5.1.4.7 Conclusions**

In summary, at the departments based in the Head Office the Researcher observed not a concerted combined effort to create value for the customer but instead individual efforts by Directors to please the owner and also personality clash amongst the Directors and brothers from time to time interfering in the inter-functional coordination.

- The Directors failed to inculcate a culture of responding and participating and appeared to give mixed messages where they said they wanted sharing of information but themselves restricted some information.
- The Researcher detected a reluctance to change on part of Branch Managers to proactively participate in meetings and respond to formal communication from

the Directors. Also the Directors demonstrated a reluctance to change their ways of communicating to be able to elicit a better response.

- Informal communication existed through friendships whereas systems to improve efficiency through inter branch coordination were not in place and there was actually only limited coordination but a lot of wastage through unnecessary repetition of work.
- There was insufficient inter-functional coordination with partners in terms of leveraging the relationship for greater support and many more joint activities on the ground
- In the first six months most of the branches were not made aware of how to work with the marketing function and thus did not coordinate with the Marketing Function at all due to lack of understanding about Marketing
- The MD was trying to restructure in order to develop a role better suited to strengths of his brother Tom and at the same time attempting to improve team work of the company. Both of these objectives were driving the restructuring rather than the sole recognition of need for inter-functional coordination. Thus day to day relationships between the family members affected coordination and thereby Market Orientation

As described in the conceptual framework, the Researcher next explored the attitudes of management and staff that were likely to impact Market Orientation Development.

## 5.1.5 Attitudes of staff and management influencing the behaviours detailed above

### 5.1.5.1 Attitudes of Management

During initial observation, the attitudes of the two family owners Ron and Tom appeared to be slightly different. Tom appeared to rely on traditional business practices within the branches and to play a supportive role to what the branch managers planned without questioning them too much. He maintained a relationship of fun and banter with branch staff and motivated them based on this personal relationship from time to time. As described by one branch manager, *“I wouldn’t say I work best with Ron because I only speak to Ron more about a business point of view whereas I speak to Tom as a you know*

*more having a laugh, having a joke AND also a business point of view.”* Tom combined his role of Sales Director with some of his other priorities such as his position of Chairman at the local Electrical Club. He also visibly supported local entrepreneurs when it came to choosing vendors for local advertising in publications etc.

The MD Ron on the other hand was viewed to be very sales driven and demanding. Some staff such as the Wolverhampton Branch Manager were extremely loyal to him and put in exceptional hours of work in supporting him during his bid for an Government project. He was later promoted to become the Projects Director. Thus employees were made aware that Ron was ambitious to take the company forward and this inspired more loyalty in some while others felt unease and uncertainty. One staff member said, *“Thing with Ron is he is very straight talking isn’t he. It is nice to speak to him and get a sense of their direction. Ron you can ask a direct question and get a direct answer. Tom is a bit more approachable than Ron.”* The MD had taken over the business from his father who had established the business as a stable enterprise operating regionally with a friendly service based on longstanding relationships with customers but not looking for rapid expansion. Many long serving employees had adapted to this culture whereas Ron had a more aggressive approach and he was looking for greater expansion of the company.

In order to expand the business Ron was heavily Sales Oriented. The sales focus of the Owners and Directors represented their traditional way of doing business and was reflected also in the quarterly Managers Meeting of the company attended by the Associate at the very start of the project. The agenda was very Sales Oriented with only 15 minutes allotted for a discussion on training as seen below. Also the format of the meeting suggested a one way communication rather than open participation from the branch managers who didn’t contribute much at all beyond reviewing their sales figures.

A copy of the agenda is shown below:

## AGENDA

Meeting to commence at 9:15 am

9:15 ó 11:15 Sales Review, January ó June Half Year (Each manager will be expected to give a brief review of their business over the six months and post their results).

11:15 ó 11:30 Coffee & General Discussion, Re Training.

11:45 approx Discussion about Tracker and its implications on business

12:00 ó 1:30 approx Sales - Second Six Months

The Associate offered to introduce basic concepts of Marketing at this meeting through a video film about another case study company which applied Marketing to improve their performance in order to explain the role and work ahead. The clip showed the example of a similar business describing how the staff of this company listened actively to their customers requirements and modified their product offering and company wide response accordingly to achieve success.



Figure 5.14 – Proposed Marketing Strategy

The Managers gave varied reactions. Some were amused while a few others were impressed and some felt intimidated or threatened. The Researcher observed their slight insecurity and confusion as a result of the unpredictable actions of their Managing Director and tendency to frequently introduce new things. The conclusion of the Researcher was that there was as much reluctance to change in any way on part of the managers as there was the Managing Director's habit to promote some new initiative without fully understanding and supporting its implementation. The reaction of some Managers such as Vic was to view this as yet another gimmick on part of the senior management due to a disconnect in communication. Another manager said, *"I have been here for 6 years and I have heard various plans come up and never come to fruition. They just disappear. Last one was – Rob told to go to the plumbing side. Then the lighting site. Plans disappear and not mentioned again."* Branch Managers had stopped buying into the new ideas as a result. But the Owner and Directors of the company mainly placed the responsibility to change on the Branch Managers and expected the Associate to be the agent of change who would transform the managers' habits. At the end of this presentation the owner reprimanded the Managers for not following some of the tenets listed as a summary of the video and subsequent slideshow presented on the day as shown above in Figure 5.14.

The Managing Director, Ron was interested to try Marketing as a new idea that may assist his Sales focus and therefore he wanted to promote the Associate as a Change Agent who would introduce to the branches a better and more profitable business model. He along with senior management in the company believed that the Associate as a Marketing Manager would transform the company from being Sales Oriented to Market Oriented and they themselves would not have to change. Whilst the support given by the owner to the Associate was indicative of his own expectations from marketing, at the same time he seemed unable to accord that same importance to marketing in the presence of his complete management team. For example in the same management meeting he said to the business managers *"tell me which product categories would you like to focus on"* The Associate pointed out that it would be useful to take into consideration the analysis on product sales and margin in sales of each product category. The Managing Director responded in an indulgent jocular manner saying, *"yeah let's do it more scientifically"* and was then joined in laughing at his joke by the managers. There was also an overall

underestimation of the resources that would be required for the marketing function to be established within the company.

Just like some of the branch managers, senior staff at the head office such as the financial controller, the IT manager and the company secretary said they were unaware as to what Marketing was meant to do in a company. They viewed Marketing with apprehension and skepticism because it would add an unknown dimension to the business but did not think it concerned them very much. As the IT Manager put it, *“Nobody has clarified to the younger staff what the role of marketing is, nobody really knows what marketing does in the company, what the long term goals are”* Another member of staff from one of the Sales Offices quoted an oft repeated impression across the branches when he said, *“The marketing side of it although is important isn’t the be all and end all of it. We have got the books (catalogues), we have got the magazines. We have the reps that work for manufacturers we can call on. The marketing is just a small bit that’s been missed out at ABC for a long long time and we got used to working without it.”* The Researcher thus observed ignorance or opposition towards Marketing due to a negative perception.

In the initial six months the Researcher had a conversation with the Company Secretary regarding how to encourage change and adoption of Market Orientation and the response received matched with conclusions drawn in the literature review regarding the importance of change of management attitude and the importance of planning and communication for adoption of Market Orientation which was acknowledged as follows, *“I think that can depend a lot on – it might be one individual or a collection of 3 individuals depending upon their status within the company and their attitudes towards the workers, the employee. If that is seen to be firm but fair (I think that is the MD’s favourite saying is it not) But there are a set of standards, a set of rules which for one reason or another need to be obeyed. Obeyed is too strong a word but whilst obeying instructions and being able to have a friendly interaction as opposed to obeying those instructions under an aggressive, formal impersonal attitude.”* (words of the Company Secretary) He further added, *“I think there has been a period where I go back and say when I mention the top 2 or 3 and how they wanted the company to run, there was a period in my experience of five or six years when the formal strict aggressive attitude was taken by a party and I don’t think that did the company any good whatsoever. I think with the present board they have certainly worked hard at rebuilding the attitude of the employee towards senior management from*

*that period of a few years back and I believe they have achieved it to a great extent. I still don't believe that communication from that area is all that it could be.ö*

#### **5.1.5.2 Attitudes of Staff**

As observed by the Researcher, the attitude of staff was mainly characterised by a strong family orientation resulting in loyalty to the company and expectations of stability and certainty by the staff. The staff appreciated the personal attention and personal relationships that they enjoyed in the company and even the owners and Directors were approachable on a personal level although they did not communicate sufficiently with regards to business matters. For instance when asked about relationship with management one Head Office admin staff member said,ö *Having not worked anywhere else I cannot compare but the Carrs are nice and genuine. When I joined, they weren't even here. I have seen them grow up. Some people say "Oh the Directors are here" I don't see it like that. Both started on trade counter and worked their way up. I don't see them any different. Suppose I should as they are management but don't. Everybody keeps to themselves. Where my partner works, he says that the Directors walk in and walk past and don't even speak to you or acknowledge you. I couldn't imagine Tom or Ron doing that. Here you are not just another employee, not just a number.*

The Researcher noted that staff members expected more informal personal treatment and in return they were expected to contribute to any task with loyalty. This system replaced a structure of role allocation based on merit, ability and professional interest. Also the company culture was patriarchal as explained by another female employee at the Head Office, *"I worked for Experian. I didn't like it. I think they are a bit too big. Don't think I will work for a company of that size again. Too much of a number. Too many rules and regulations to follow. There is no leeway, it is all black and white. Do this and don't do that. Here the flexibility is good. But if I wanted to progress in this company it would not be possible. Only men seem to get anywhere in this company. I think it is because it is run by men. I would have that job for a hundred years and they would not have any interest in putting me anywhere else.ö* The Researcher did not focus observations on gender bias as the company and the industry as a whole seemed to employ very very few women which was beyond the scope of this research, but the favouritism and promotion as reward for loyalty was considered a likely factor to hinder Market Orientation adoption.

Staff attitudes also reflected the inbuilt discipline and peer pressure of a family oriented business that helped improve their efficiency and work ethic. This was explained by one Branch Manager as *“I think they can be strict on things in a way because they can see what is happening. Whereas a big company doesn’t really as such have one owner like this company. So we have got more of a run of what is done, what is said and how things are done. Just get the job done and if you have to break a rule then it has to be done. I much prefer it like this”* There was a trend to promote internally as a matter of course within the company. Typically staff would recount how they started as store man, then van driver, then telephone sales for quite a few years, returns and some progressed to be the assistant manager. *“Because we are a small unit we get involved in everything”* As they grew with the firm they refrained from questioning the owners and their expectation regarding communication also remained low. As put by one Sales Office manager who said, *“As far as I am concerned if they think there is something I should know they will tell me. I can’t phone Ron and ask – just thought I should know where ABC is going – Is he really going to want to have that conversation? He has far more important things to deal with that to tell me what we are planning to do”* Thus managers refrained from actively participating in the planning process as they believed the Directors preferred them to reactively continue to focus on increasing their sales and gross profit margin instead in order to maintain job security. Those accustomed to the stability of their job often returned to ABC after working for a few years elsewhere and the Researcher came across several such people in the company saying, *“I know the set up having been here before”* or complaining about the work pressure in another workplace. They were not happy for any change to be introduced in their working environment and this would be a barrier for Market Orientation development.

On average the attitude of most staff members towards Market Orientation was characterised by lack of understanding and therefore they dismissed it as irrelevant for them. Staff were reactive and typically said, *“Marketing is quite a unique thing for this business. Customers approach us we don’t approach them.”*

*“In this day and age it must have a role but I believe we just need to be upfront, be honest, have a good product at competitive price and delivery second to none along with the right stock and a good service.”*

Others were more curious about how Market Orientation could assist in improving business performance. But they were not sure how this would come about and felt they themselves did not have a role to play in this. Thus as stated by Hooley (1990), the Researcher also noted that if Market Orientation was accepted, it would be expected to be implemented by the Marketing Department rather than taken up as a company wide philosophy. Also it was evident that the staff would support this initiative provided they saw visible support in the attitudes of the management. All this was analysed based on conversations with employees such as quoted below,

*“From what I see we don’t seem to do a great deal of it. I think we could do more. These new catalogues – they seem brilliant. Don’t know why they have not been done before. I think we need to get out there more. We don’t seem to be doing much at all. We seem to go on word of mouth a lot Marketing is definitely needed to push the company forward. But where I sit I don’t think it concerns me. Is that wrong to say? We do put ourselves in our own little box.. Yes it is important I know it is but it does not affect me!”*

*“A lot of that comes to I would say management types that have got the mindset of that. It is not anything that as a company we have pushed. So if you are not pushed into it, you don’t know it. So if you come in with the knowledge of this is how we market something it is something new we would have to learn about”*

Additionally the Researcher conducted Staff surveys. In the first six months ABC employees were sent feedback forms along with their pay slips and asked to return their feedback to the Head Office on a voluntary basis either with their names or anonymous. The Associate was able to organize the surveys with support from the Managing Director who had agreed to read the post survey analysis and take appropriate action. 35 forms were returned from a total number of about 107 employees. The response suggested that the staff did not mind giving their names; some of them utilized the form to make their own personal case for promotions, and transfers etc. and used it as their chance to be listened to by the Managing Director himself. The need for improvement in communication came up; *“Teamwork and communication is really important, (it) benefits all including the customers”* Staff (Telesales). The suggestions as summarized below in Figure 5.15 were presented to the MD and he was quite receptive to the feedback given. The MD sponsored some of the initiatives taken over the next twenty four months as a result of the feedback such as newsletters, company events etc. as described further ahead all of which helped

interfunctional coordination. Also some processes like quotations, sales meetings were revisited which could be linked to the need for improved structures and systems in the organization for Market Orientation adoption as described in the literature review. The survey therefore demonstrated that the attitudes of many of the staff were likely to be receptive to Market Orientation even though they did not identify with the term itself. As these ideas seemed to come from within the company, it became easier for the Associate and MD to implement and sell them to the rest of the employees and senior management. Thus the role of internal champions was seen as important.



Figure 5.15 - Staff Surveys on Communication

### 5.1.5.3 Conclusions

- Management attitude was assessed to be formal, strict and autocratic with respect to rest of the employees. At the same time there was a patriarchic family atmosphere with consideration given for personal circumstances and wishes of employees where possible. The MD tried to infuse some friendly informal atmosphere with his personality with some loyal staff members.
- Staff attitudes also reflected the inbuilt discipline and peer pressure of a family oriented business that helped improve their efficiency and work ethic. They expected stability and cherished a friendly family like atmosphere among themselves. The staff appreciated the personal attention and personal relationships

that they enjoyed in the company and felt that the owners were approachable on a personal level although they did not communicate sufficiently with regards to business matters.

- Branch Managers perceived senior management to be inconsistent and short sighted in their lack of follow up with new initiatives. They and their staff wanted to see greater improvements in communication and internal coordination through better systems. These attitudes could be enablers for Market Orientation. However with regards to customer focus, the surveys reflected their attention devoted to traditional areas of service and price rather than changing needs of existing and new target customers. Also they perceived marketing as unnecessary or irrelevant to their own role in the firm.

## 5.1.6 Summary and Branch level analysis

### 5.1.6.1 Summarising the initial assessment

This completed the initial assessment of the case study company in the first six months vis-à-vis the elements of Market Orientation. ABC Directors used personal networks to collect some market intelligence but this was not documented, shared and used sufficiently for business planning. There was a lack of awareness regarding the importance of market intelligence and how it could be used. The existing customer focus in the company was mainly restricted to one type of customer segment namely electrical contractors. Management and some old staff members acknowledged dependence on few customers but continued to focus only on service to these customers using their internal strengths rather than developing new strategies and skills to target more suitable customer segments. ABC lacked competition focus to the extent that Directors did not regularly and frequently share knowledge about competition with rest of the staff. Also they did not adopt counter strategies against competitors at company level or branch level

With regards to interfunctional coordination, the Researcher identified over reliance on branch managers to pass on information and lack of clear role allocation. Ron often said *“We want our branch managers to operate as entrepreneurs looking after their own business”*. Branch staff were not allocated roles and the system of *“everyone does a bit of everything”* was preferred. In the absence of monthly reviews, goals set for individuals and clear communication, often the branch staff suffered from low morale and poor team work.

It appeared also that they were looking for greater Head Office support whereas the

Directors had left them to get on with their respective businesses. There was a quick gains mentality as the managers were measured purely on sales and margin. The quality of processes such as quotations handling, branch organized product promotions, timely ordering of stock, customer service etc. were not monitored. Lack of systems and structures hampered communication and coordination. Tensions within the family also contributed to poor coordination.

Marketing was brought in by the MD with the belief that it would bring change and improvement without the realisation that change would not be successful without involvement and initiative of the owners themselves. Management and Staff attitudes reflected lack of trust and tendency to focus on their own internal priorities rather than focussing on the customers. The priority of staff was stability rather than ambitious growth as explained by one trade counter salesman, *“I could do with a few more hours in bed. I am not a morning person. What is good at ABC – I think we all seem to get on. When asked what factor in ABC motivated them one said, “Out of pay or flexibility or friendliness – It is the friendliness yeah. I do enjoy my job. It is different everyday. And the people are nice as well. Even at the branch they are friendly. So when you get there you don’t dread coming to work.”* They viewed Marketing with apprehension and skepticism because it would add an unknown dimension to the business but did not think it concerned them very much.

The Researcher had to determine how the influence of the family ownership and these resultant behaviours affected Market Orientation development. The Managing Director often said *“don’t tell me this is not working and that needs to be changed. Tell me how you will do it and nobody will stop you”* The Directors expected middle layer of management to produce results but did not seem to consider how to lead, how to guide their staff or how to monitor their work. The experience of staff was also that there was not enough information and authority to take decisions and make changes. The Managing Director then justified this saying that the Directors took decisions collectively so that they all had a say in every aspect. But the time required for collective decision making went against the traditional flexibility and speed associated with family owned SMEs (Carson 1990, 2001) The Directors came together to make decisions but the Researcher did not observe the same team spirit in the execution of new ideas and plans.

A summary of the observations and analysis is shown below as Table 5.2.

Market Oriented Attitudes and Behaviors	Management style of owner/manager	Lack of understanding of marketing:	Organizational inertia, lack of control systems	Influence of Family Ownership
<b>Market intelligence collection, dissemination and response</b>				
<b>Enablers</b>				Did use personal networks, low cost, informal methods
<b>Barriers</b>	Lack of time management, lack of delegation of authority. Reluctance to change on part of managers and staff	Did not believe it was important to plan based on information, lack of planning skill + did not consider as directors responsibility	Lack of systems to manage, analyze market information & to communicate	focus on short term sales only. Negative perception of marketing
<b>Customer and Competitor Focus</b>				
<b>Enablers</b>	Front line staff built good relationships with customers over very many years		Some local promotions with suppliers imitating competition	
<b>Barriers</b>	Not responsive to customer needs such as invoicing, stock availability. instead focus on providing friendly service due to internal focus on company strengths	Lack of awareness among staff of company strengths in terms of customer service and against competition. Variations across branches in level of service, prices etc.	Did not target customer segments, continued to serve old customers. lack of systems for CRM, lack of coordinated company wide response	Internal focus on company strengths, lack of ambition for growth in market share
<b>Inter-functional coordination</b>				
<b>Enablers</b>				Fewer departments and centralized ownership made it easier to have good informal relationships between different function heads. this was not leveraged
<b>Barriers</b>	lack of sharing of information due to secretive nature and fear of loss of control	Lack of cross functional teams, generalists not allocating each function specific tasks towards common objectives	Sales focused communication to branch managers only, lack of systems for company wide coordination	Secretive, focus on loyalty to owner not inter-functional coordination

**Table 5.2 - Summary of the Observations and Analysis at start of the period of study**

Based on this and comparing to deductions from the literature review, the researcher concluded that the company as a whole was mainly reactive in its Market Orientation whilst the owner displayed some entrepreneurial traits. The strong sales oriented culture of the company coupled with influence of family ownership was observed by the Researcher in the first few months. Market Orientation would be understood and accepted after it was demonstrated successfully but in order to be successful it would have to be understood and implemented in terms of a cross functional focus on customers and setting up of mechanisms to respond to competition and market forces dynamically. This was in essence the complexity of the task. This would be a typical challenge particularly in SMEs because of their inherent unwillingness and inability to understand or test sophisticated formal procedures as suggested by Hoggarth-Scott et al. (1996).

#### **5.1.6.2 Branch level Analysis**

The business units within ABC varied in terms of size of the unit, type of management culture etc. The three businesses focussed upon by the researcher to analyse the nature of Market Orientation were ABC Cannock, Ilkeston and Leicester with Cannock and Ilkeston being micro while Leicester being small sized. Cannock had established as business in recent years displaying good growth year on year while Ilkeston and Leicester were experiencing changes like new ownership just as Ron took over as the MD of ABC.

ABC Cannock with Bill was the manager and his sister in law Laura was sales representative/account manager, was a highly successful branch of ABC. Bill managed the unit with only 3 to 4 members of staff and looked after every aspect such as customer relationships, supplier support, new products, and point of sale promotions. He did not spend any time on collecting market intelligence, looking at company reports, segmenting customers etc. His instinctive style and strong personal relationships with customers were the reasons for his success but it was all dependent on him and Laura complained that when Bill was on holiday no one knew anything because he never told them about his ideas. Bill followed his instinct and was often the first among all ABC units to pioneer new initiatives ranging from new trade counter displays to stocking a new fixings division to expand his customer base. Also he maintained good relationships with suppliers to get market information using his networks. Due to his personal involvement in the business, he was successful in driving the unit forward and consistently proved to be the best performing business of ABC. However, internally the Researcher did not observe

implementation of planned strategies as a team in the first six months. The business thus appeared to display entrepreneurial orientation with mainly Bill driving the growth and day to day operations.

ABC Ilkeston was run by Jack Foster and making huge losses. Ron replaced him in this period of six months stating that this was because Jim was not proactive in taking new initiatives at the branch. Jack was very reactive and only focussed on existing customers using ways to build on relationships such as organising fishing days. Ron wanted him to get rid of customers who demanded much time in quotations etc. but Jack opposed and resisted this. Also Jack was a loyal manager from the times of his father and did not have a good relationship with Ron himself. Jack kept complaining and opposing Ron during the management meeting attended by the Associate and on other occasions. Ron's comment regarding this was that *“The top 10% were the most productive staff, the next 70% needed support for development whereas the bottom 10% who were negative and unsupportive needed to be removed from the company”* ABC Ilkeston was then taken over by Mick who also employed his father at the branch when he was short staffed. Mick was satisfied with the size of his business and was not keen to expand in terms of staff count, customers etc. On the contrary he pursued a strategy of targeting a very niche customer base and for this reason transferred many of his high volume successful customers over to Nottingham branch in consultation with the Directors claiming that they did not fit in with his business model. Thus the branch transformed slowly from being reactive to being more professionally managed and the Researcher followed this transition over the next twenty four months. There were some family traits observed and in the end the ambition of the branch manager was influenced by family values as would be described further below.

ABC Leicester was also a loss making branch with a reactive manager. This was one of ABC's bigger units with about 10 to 12 staff members. As explained by employees at Leicester the branch changed a lot over the initial period. After the old branch manager left the business, a fresh graduate Alex was employed by Ron to manage the business. He did not have experience in the electrical sector but Ron wanted to test whether his education in business administration would be more useful. But Alex also left in a few months along with other staff turnover. Then a new manager Richmond took over the reins. He was poached from a competitor and had a reputation for being very aggressively sales oriented in the industry. In the first meetings, he presented an initial outlook of the business similar

to that of the MD. He managed to rally support from the rest of the staff but the staff members were not empowered to take independent decisions or initiatives as observed by the Researcher. Also Richmond encouraged them to aggressively pursue inconsistent sales oriented tactics for short term profit as explained by one staff member in the context of supplier relationships, *“But what we do with suppliers is we screw them for every penny we can get out of them. If only to fund the events that we do. We are really good at it.”* This was also an entrepreneurially oriented business. Ron was supportive of Richmond because his tactics were improving the business performance.

The Researcher summarised these initial assessments regarding the company as a whole and the three business units within it as below in Table 5.3.

Company	Assessment in first six months
ABC	Reactive with Entrepreneurial owner/managing director
ABC Cannock	Entrepreneurial
ABC Ilkeston	Reactive
ABC Leicester	Reactive with Entrepreneurial business manager

**Table 5.3 – Assessment of businesses in first six months**

This concludes the analysis of the level of Market Orientation in the company in the first six months of the project. The Researcher's intention was to determine in the forthcoming twenty four months what the enablers and barriers to further development of Market Orientation were within the company. At the same time this process of initial assessment helped begin the process of making the company more Market Oriented by utilizing the feedback and knowledge gained from this audit into developing strategies for building customer focus, competitor orientation and identifying measures to build inter-functional coordination. Also it was a means to identify the factors likely to be barriers in the project. This in depth analysis of the company, its customers and products was the beginning of the marketing audit in the job and was also an essential first step for the investigator to understand the core of the business. As a Knowledge Transfer Partnership (KTP) Associate working for the business it was part of the work and therefore access to the sales reports and performance figures of the company was available. It was found that such an analysis was not carried out in a structured format and on a regular basis. Similarly the surveys served a two fold purpose with regards to this research also. They gave insight into some

behavioral elements of the company and what were regarded as the weaknesses of the company in order to make it more Market Oriented. At the same time they provided the evidence that surveys were a means of improving a company's competitor orientation and customer orientation.

## 5.2 Assessing changes at ABC over next two years

In this section, the measures undertaken over the next twenty four years in the company are detailed and the impact of this process of change vis-à-vis Market Orientation development is analysed. Some of these initiatives were in response to the initial assessment above including results of surveying staff, customers and suppliers. The key issues raised in the initial assessment resulted from a short term Sales Orientated mentality; lack of sharing of knowledge regarding company objectives, target customers, competitors' moves etc. and failure to utilise this knowledge for planning strategies and implementing them in a coordinated systematic manner across the organisation. Internally the authoritarian, controlled closed management style of owners/Directors resulted in too little importance being given to factors such as reward for meritocracy, encouragement to delegate, collective team work for decision making and transparent two way communication. The Managing Director wanted to bring a more entrepreneurial instinct to middle management but the branch managers were reluctant to change because they perceived the MD's business initiatives to be half hearted and inconsistent due to lack of follow up. They also looked for stability and low pressure in their working environment in return for their loyalty. The Researcher recorded and analysed the major initiatives undertaken which helped to overcome the above barriers and thus led to Market Orientation development. The outcomes achieved in these initiatives were compared against the framework of elements of Market Orientation developed by the Researcher based on the literature review to highlight the causes and means influencing Market Orientation development. Also these were compared with the recommendations of Hooley (1990) to analyse the extent of Market Orientation. For all these initiatives the influence of family ownership is also summarised which affected the nature of Market Orientation in the context of family owned SMEs.

### 5.2.1 Re-branding initiative

Based on results and barriers identified during the first six months, the marketing function managed by the Associate led the re-branding campaign to identify key corporate values,

develop a value proposition for the company and accordingly refresh ABC's brand. Due to the prevailing business culture before Ron succeeded his father as second generation Owner and Managing Director of ABC Electrical, marketing was mostly considered irrelevant and unnecessary. Ron wanted to put his mark on the business and expand it further. As deduced in the initial six month assessment he instinctively believed marketing might assist in improving sales focus leading to growth in profit. Therefore he supported the Associate.

Using the knowledge of ABC Electrical collected from various sources and company data the Associate created the following corporate values as summarised in the Figure 5.16 below and presented them to the Directors. The Managing Director liked the analysis and work done. He immediately took this on board and volunteered to present the same message to all the managers from different offices in order to get buy in from the rest of the staff. He asked the Associate to not be present during this meeting and the reason for this was perceived by the Researcher to be a desire to retain control over the initiative as well as promote it as a management idea rather than an initiative undertaken by an outsider (the Researcher). Afterwards the Researcher got the impression that some branches were interested in the re-branding campaign and excited about it while others viewed it as yet another gimmick.

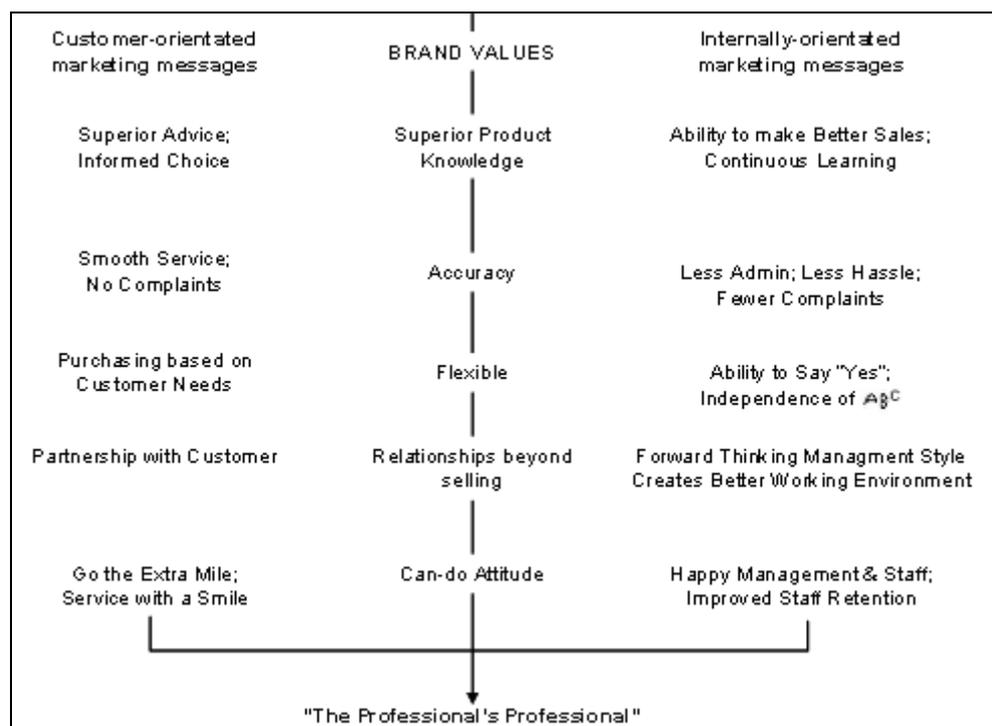


Figure 5.16 - Development of company values for branding

Based on these values the ABC logo and strap line were refreshed. Due to the MD's support, it was possible to sell these changes to the rest of the employees and many reacted positively to these changes. For instance one sales rep at Wolverhampton branch said, *“Marketing has definitely raised ABC. That new one looks far more professional Just gets people talking about it.”* Several branches supported the re-branding project and said it helped them to build up ABC's reputation externally. In support of the project the Blaby branch manager said, *“I think it is a very good idea. Of course especially here because we don't have a rep here”* and others gave input regarding different tools that would help advertising the ABC brand saying, *“I don't think people really look for ABC. That may be a key issue. Perhaps we need to put a stand in a shopping mall or something and say we have got heating, switches, and sockets or do fund raising events. Nearly every cash sale comes in and says we didn't know you were here until B&Q told us pop down to ABC they have probably got it on the shelf”*

In order to advertise the right company image, the opinions of target customers had to be considered. In this area ABC was found to be weak as they tried to be all things to all people. As deduced in the surveys ABC needed to demonstrate greater customer focus in terms of targeting specific customer segments for opening new accounts to reduce over reliance on old customer base built on the basis of relationships. This had become evident to management as well after sharing of results during the initial assessment whereby one manager said, *“I find ABC quite odd. For e.g. XYZ are quite domestic. They are cheap and cheerful. They target small contractors and that is what they do. We at the side of them are sort of neither here nor there. I think we are quite renowned for having bigger contractors but not having too many small contractors. We have not got masses of other business generally. For e.g. last week, last month every business has died down a little bit and looking into the reason that is because all our main contractors have gone quiet. When they go quiet it hits us hard because we rely on them which we shouldn't really. We should have others to rely on. They are our life bread and butter now but they should be the cream. If their orders don't come through we are quite hard up. Majority of our business relying upon at most 10 customers”* With a similar point of view the MD therefore supported and promoted the Associate's work within the marketing function to assist with repositioning of ABC in the market place to be attractive to those customers as shown in the Figure 5.17 below.

existing core (that we should Aim to get more business out of)		Mostly new business. Some customers but very small %	
Large Org. Commercial/ Industrial Contractor	Small to very small BUSINESSES i.e. Family Contractors	DIY market	Mid to large Manufacturing And factories (end users)
Large FM Large Builders	Small tradesmen Small resellers	Domestic Users	Mid maintenance
Mid Sized contractors	Shop fitters/kit bath Fitters, plumbers etc	Small offices, Small industrial estates	Public authority Like school, Colleges, hospitals Govt i.e. their Maintenance people
High Turnover Low margin But still steady	Who serve small Businesses in their Electrical needs and also serve the Domestic Market.	Those who do not Have In depth knowledge or Very little knowledge of Electrical products	
	Margin Lo to Hi	Price consciousness Lo to Hi	

**Figure 5.17 - Customer Segmentation**

After another twelve months, the brand identity came into focus again as ABC Electrical celebrated forty years of being in business. The Directors wholeheartedly spent more time and resources into using this opportunity for more Public Relations (PR) and advertising of the company. In the two year period, the Directors invested into electronic literature representing ABC's values, branded exhibition banners and also invested in refreshing the company website where previously they were using promotional tools provided by suppliers. It appeared that the Managing Director had bought into the core message of identifying values of ABC to differentiate it from competition as well as the need to project ABC Electrical as a professional company in this way. In the management meeting held in September 2007 he stressed this during his opening remarks saying, *"We must become more professional in serving. Need for more professionalism. And that is the word I am going to use a lot now – professionalism. Professional in stocks, sales, cash, staff with growth. Need for professionalism in all areas."*

### 5.2.1.1 Conclusion

This initiative thus resulted in the development of a more positive outlook of marketing internally at ABC Electrical. The development of supportive attitudes led to the behavioural change of improving customer focus in terms of targeting specific customers and attempting to differentiate the ABC brand from competitors based on the adopted core values as denoted in the Essentials campaign described in the -Customer Focusø section below. It also helped to renew focus on all ABC tools for marketing and communication

with customers including events, signage, literature as well as promotional offers and give aways and support was echoed from more employees with remarks such as, *“Marketing is helping to raise the profile of ABC, to come across as more professional. I have one customer who says “Reason why I like dealing with you is because of how professional you are. But you still gain the independent wholesaler filter”* According to Hooley (1990) the change in attitude towards marketing is a critical measure to assess Market Orientation development and this initiative indicated that the Directors changed their attitude somewhat in terms of trying to improve the positioning of ABC as well as in terms of improving the standard of marketing communications. The staff mostly changed their attitude from being negative about marketing to viewing marketing as a means to improve communication with customers but they did not buy into the need for imbibing core values of the company.

#### **5.2.1.2 Family Ownership**

The staff loyalty to the Managing Director and family atmosphere helped because staff instinctively bought into the process promoted by family owners. Whilst this was true for new staff recruited by the Managing Director, old timers were more cynical in their reactions such as in stating that, *“You can do as many freebies and bits and pieces as you like but if you cannot back it up with decent service and a discount price, they are not going to use you anyway! Gone are the days of loyalty. Price more than anything drives customers. I think there is also personal relationships isn’t there. People you see everyday speak to everyday.”* They were set in old reactive ways of the family culture set by the first generation owner and failed to accept that in the absence of a strong brand and with over dependence on personal relationships of individual staff members with customers, if staff were to leave and go somewhere else there then customers were likely to also switch to another company.

The barrier resulting from family ownership as observed by the Researcher in terms of the tight control exercised for instance on communication and PR done for ABC Electrical was noted over the course of the branding project that lasted three to six months. Initially every word had to be checked by one of the Directors. The Managing Director said *“I do not need to know about the signage, Tom can handle that”*. But as soon as the designs were shown to Tom, he responded by saying *“I need to show this to Ron”*. To a great extent ultimately the MD’s personal opinion needed to be taken into account rather than only

customer feedback and requirements while defining the company image reinforcing the importance of the owner's influence in the company.

### 5.2.2 Importance given to Business Planning

The re-branding based on company values and identification of customer segments paved the way to ask the Directors to provide definite company objectives and a documented business plan. It was observed that during this process with the realization that they would have to share greater information and delegate more authority, the Owners/Directors became angry, hostile and slightly uncooperative. As seen below in Figure 5.18 from the email sent to the Associate, initially their understanding of Market Orientation conflicted with the family culture resulting in some limited and controlled sharing of information. But as described further the Researcher recorded marked change towards Market Orientation in the company over time.

From: Jim  
Sent: 14 March 2006 07:40  
To: Asmita Deshpande  
Subject: FW: presentation with objectives slide

Following on from my meeting with Rob yesterday, please find attached a copy of the presentation made at the last managers meeting. Within this presentation, objectives were set for 2006 that received support from all present - please view slides 10 and 11.

For the purpose of marketing and to meet your demand for clarification, these are the only objectives that should be the driver for all activity this year.

Should we achieve them, we shall over achieve our sales and profitability forecasts. Any questions, please come and see me.

Regards  
Jim

**Business Objectives 2006**

- So what are our company objectives for 2006
  1. **Achieve our 2006 gross profit forecast £ endeavouring to produce no less than 25 as a gross % figure**
  2. **Focus on expansion of our customer base within each business improving trading accounts by a minimum 10%**
  3. **Continue to invest in our people via-**
    1. **New businesses Minimum 1 new branch**
    2. **New computer system**
    3. **Listening to our people and their ideas. Then acting on them.**

Figure 5.18 - Business Objectives provided by Directors

Although the Directors clarified that these objectives as shown above had been shared, upon questioning staff at the branches it was found that the message had not been received by all. Thus it meant that initially the sales offices did not buy into the planning process because of half hearted promotion of the plans from the Directors or lack of receptiveness on part of the staff. For instance, the Lincoln branch manager when asked about ABC objectives just said, *“We need to concentrate on getting our GP (gross profit) up but it has been a cut throat area. I think it is just GP really.”* And another at Nuneaton branch when asked whether he was aware of ABC plans said, *“Not as a whole no. Just trying to do in this branch and quite involved with where this branch is going in the future.”*

All ABC businesses were asked to present their business plan in the month of December for the next twelve months every year as a practice. After the start of the research project, in the first cycle, the Managing Director took the initiative of delegating some of this work to the Financial Controller and the Associate. This demonstrated his willingness to try to improve the planning process. Each branch was accordingly asked in the new process to provide not only target figures for the next twelve months but were also required to focus some of the planning on target customer segments, growth targets for specific product groups within the product portfolio of ABC and strategies against competition as shown below in Figure 5.19.



**Identify expected stock requirement for each top budgeted account**

Customer Sales Budget Form

Customer name:  account number:

Oct 04 to Sept 05: £

product group	Actual sales	Actual GP	Actual GP	Budget sales	Budget GP	Budget GP
	Oct 04 to Sep-05	£	%	2006	£	%
cable						
cable man						
heat/vent						
water heat						
lighting						
dist equip						
wiring acc						
fire/emg						
Test Equip						
Tools Fix						
Total	0.00					

**Effort to grow volume in more profitable product segments**

**Identify standing vs. competition for all budgeted accounts**

Yr Competition

Where do we fall against Competition Now? (Place in appropriate Box and name each Competitor in the Other)

1
2
3
4

Where do you Forecast ERF to fall Yr 2006

1
2
3
4

Action Required:

Identify accounts where this will improve –  as their no.1 supplier!

Describe Action Plan to achieve the forecasted targets.  
-sales and marketing strategy,

Figure 5.19 - Effort to implement a comprehensive business planning process in the first year

This plan was put in operation for the year of 2006 and it demonstrated that the Directors took on board results from the initial assessment depicting that planning with a comprehensive approach would be more successful than pure sales targets without strategies supporting those targets. However this first round of change failed in its implementation because of a lack of regular follow up and measurement from the Directors. The branch managers soon slipped into their old ways of doing business and the planning failed to achieve any of the goals stated at the outset. But in the next cycle for 2007 the same approach of comprehensive planning was adopted again with the benefit of a proactive and dedicated new Sales Director Len who actively assisted the ABC businesses during the planning process and also followed up on the agreed plans as evidenced below in Figure 5.20 and Figure 5.21 by creating templates of the various measurement mechanisms which he emailed to business managers. This regular monitoring led to considerable greater success in embedding the practice of planning and assessing business performance against plans. Also the branches focussed more on customers, competitors and the market due to the format of these plans. The feedback from businesses indicated a positive reaction to the commitment shown by senior management, support provided and regular communication and the impact on their financial performance was visible. But their buy in for proactive business planning with their own initiative still appeared lukewarm and a lack of interest in planning was observed in the absence of systematic and regular monitoring of the Head Office. The Researcher concluded that the staff were following the assigned planning process out of their habit of following the owners/Directors rather than due to a change in their own attitudes towards way of doing business.

**From:** LEN  
**Sent:** 20 November 2006 14:21  
**To:** MANAGERS  
**Cc:** DIRECTORS  
**Subject:** 2007 Forecast Meetings

**Follow Up Flag:** Follow up  
**Flag Status:** Red

**Attachments:** K.P.I. Forecast Sheet 2007.xls; Forecast Business Profile 2007.rtf; Sales Executive Account Sales Forecast Sheet 2007.doc; Guide Notes.doc; Example Business Plan 2007.ppt

All Business Managers

The year 2007 is fast approaching; you should by now have some strong and clear ideas of how you plan to take your business forward during the next 12 months.

Enclosed is the 2007 Forecast Pack to be completed.

- K.P.I. Forecast Sheet 2007
- Forecast Business Profile 2007
- Sales Executive - Account Sales Forecast Sheet 2007

The Business Plan Meetings will be held at Head Office on the dates 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> December. Individual times will be notified over the next week.

Each meeting will last approximately 90 minutes. You should be prepared to talk initially about the business in 2006 before moving onto a structured presentation of your plans for 2007. This will then be followed by an open forum discussion with the Board Members.

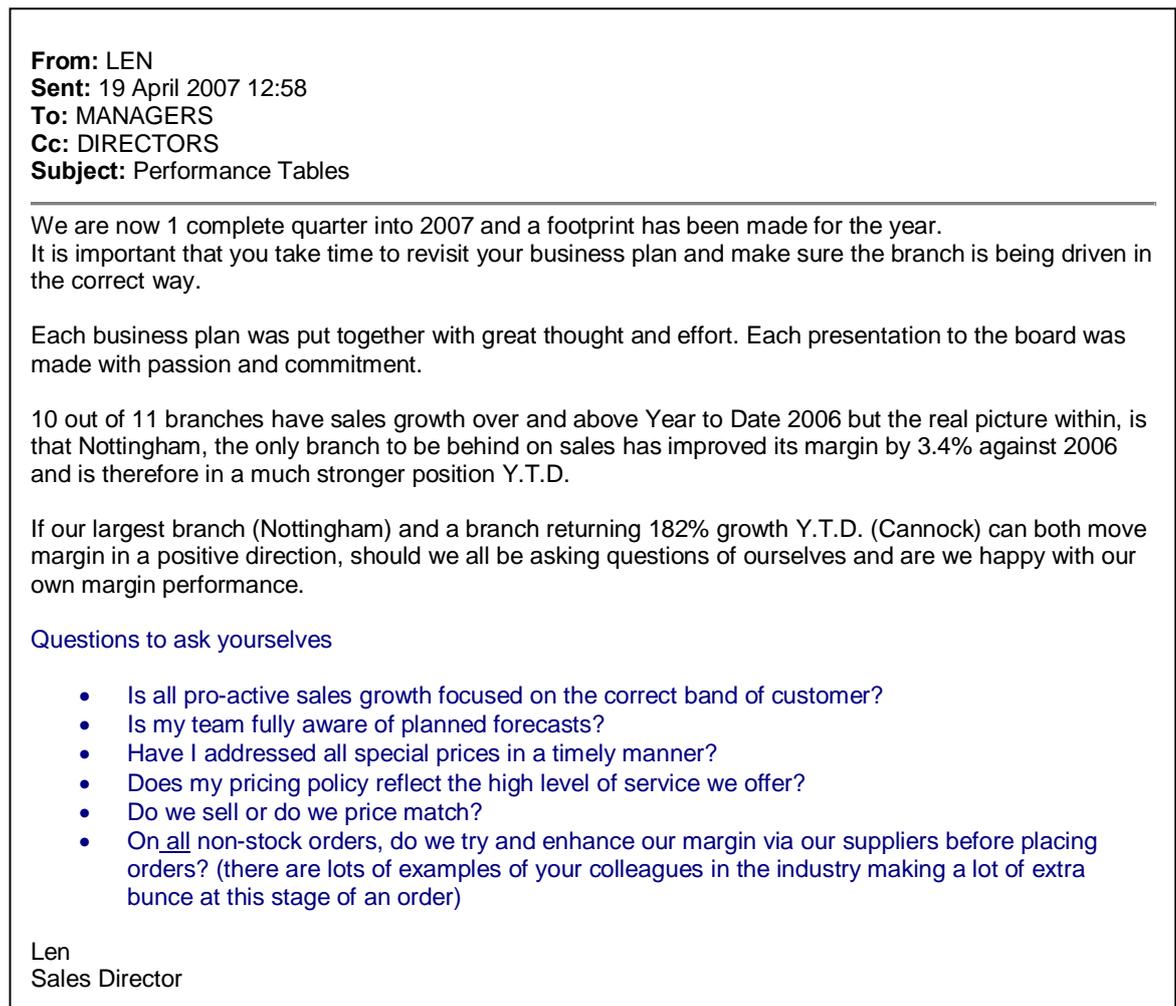
I enclose some Guidance Notes to assist in the preparation and presentation of your Business Plan.

It is my responsibility to work with you during 2007 and ensure that all Sales Forecasts put forward to the Board of Directors are achieved. With this in mind, I would like to sit down with each business manager and run through each Business Plan before the day of presentation. I am genuinely excited about working with you all and presenting to the Board members, a well structured, achievable Business Plan, outlining how we each intend to grow and strengthen our business during 2007.

Regards

Len, Sales Director

**Figure 5.20 - Example of planning and monitoring by Sales Director**



**Figure 5.21 - Evidence of support, monitoring and follow up provided by Directors to sustain the business planning process**

### 5.2.2.1 Conclusion

Thus it was concluded that ABC made a significant transition in terms of the amount of importance given to planning i.e. from only fixing sales targets for the year and distributing league tables as shown in Figure 5.13 to coordinated planning with inputs from all stakeholders, identification of some key objectives including discussion regarding strategies to be implemented to achieve objectives and most significantly regular monitoring of performance against the plan.

### 5.2.2.2 Family Ownership

During this year, the Managing Director announced his restructuring plan whereby his brother Tom would serve as Relationships Director where as Len who was a branch manager would be promoted to the position of Sales Director. Len was an outsider although he was internally promoted based on his success within his branch for over the past one year and came with many years of experience at another highly respected national

wholesaler. Thus the Researcher concluded that as a family owner the Managing Director had struck a fine balance between the need to allow non family members into senior management and the preference of family owned SMEs to promote internally and promote people who were reputed specialists in their field and not only for their management skills. The Researcher further observed that Len was instrumental in vastly improving the performance measurement at ABC and overall accountability. By his own example he also influenced the owners/Directors themselves to be slightly more accountable and this was evidenced by the fact that from end of 2006 onwards, the MD also started regularly reviewing plans of function heads at the Head Office as shown in Figure 5.22 which further improved coordination in planning and implementation as well as inter-functional coordination and for the period of assessment these were continued more or less regularly.

As discussed at the last board meeting, I will be requiring reporting from each department on areas under your remit each month. This has indeed already started with finance and will in December be all departments.

The Reports will be as follows

Purchasing, stock, and supplier relationships	Jim
IT	Jim / VP
Finance	AS
H.R and health and safety	TH
Sales	Len/ Tom
Marketing	Len / Associate
Projects	Sam
South	TP

To start the ball rolling our initial meetings in December will be to establish how and on what areas of the business we would like to report. I do not see that reams of written reports are necessary but it would be beneficial to see what the objectives for your department are during the course of 2007 and how you anticipate achieving them.

**Figure 5.22 - Communication of MD demonstrating commitment to review and planning**

With these review meetings, the MD and Board allocated time and importance to the process of marketing planning as well as taking all inputs in the planning process. The Associate was also asked to create key annual marketing objectives and supported in their implementation. Also there was an opportunity to present market research at board meetings and link the work done by the marketing function to the strategies and plans adopted for business development. Thus due to a favourable attitude, it was possible to highlight some market intelligence and contribute towards planned strategic implementation. This was a positive change as Hooley (1990) also listed the extent of

formal planning including marketing planning as another key factor to assess development of Market Orientation.

The Researcher noted that this change was brought about by the management attitude of Len coupled with the MD's support and willingness to try new practices within the company as a second generation owner rather than continuing with the existing old family culture. At the same time Len brought about limited change and remained sales focussed to an extent as per the influence of his previous work experience which made it easier for ABC to adopt the limited changes that he proposed and implemented. It was observed that this process continued in 2008 also and was slightly improved upon for the financial year 2009 mainly due to the commitment of senior management. But the Managers of various businesses were not initiating this process and taking it forward by themselves. Also the Researcher identified that the MD supported this initiative because he saw the sales rising as an end result but would not uphold the process in the absence of people like Len and would probably try something else in order to improve sales in the future. These were some limitation and barriers for Market Orientation Development that continued to exist at the end of the assessment period

### 5.2.3 Internal Restructuring of teams, processes, systems

Over the twenty four month period, changes made to the organisational structure as well as business processes and systems were recorded. It was attempted to determine whether these changes were made as a part of efforts made at ABC to develop Market Orientation or in response to the influence of family ownership.

In comparison with the old organisational chart provided by ABC as shown in Figure 4.1 and Figure 4.2, the MD provided the following updated chart as below in Figure 5.23 to all the ABC businesses for the year 2006. Some business managers were promoted to work as area managers and Marketing was positioned as an integral essential function within the hierarchy of the organisation. This also demonstrated the early willingness of the owners/Directors to improve representation of marketing at the senior management levels as recommended by Hooley (1990). Also as suggested by Hooley (1990) owners/Directors at ABC attempted to build more sophisticated organisational structures.

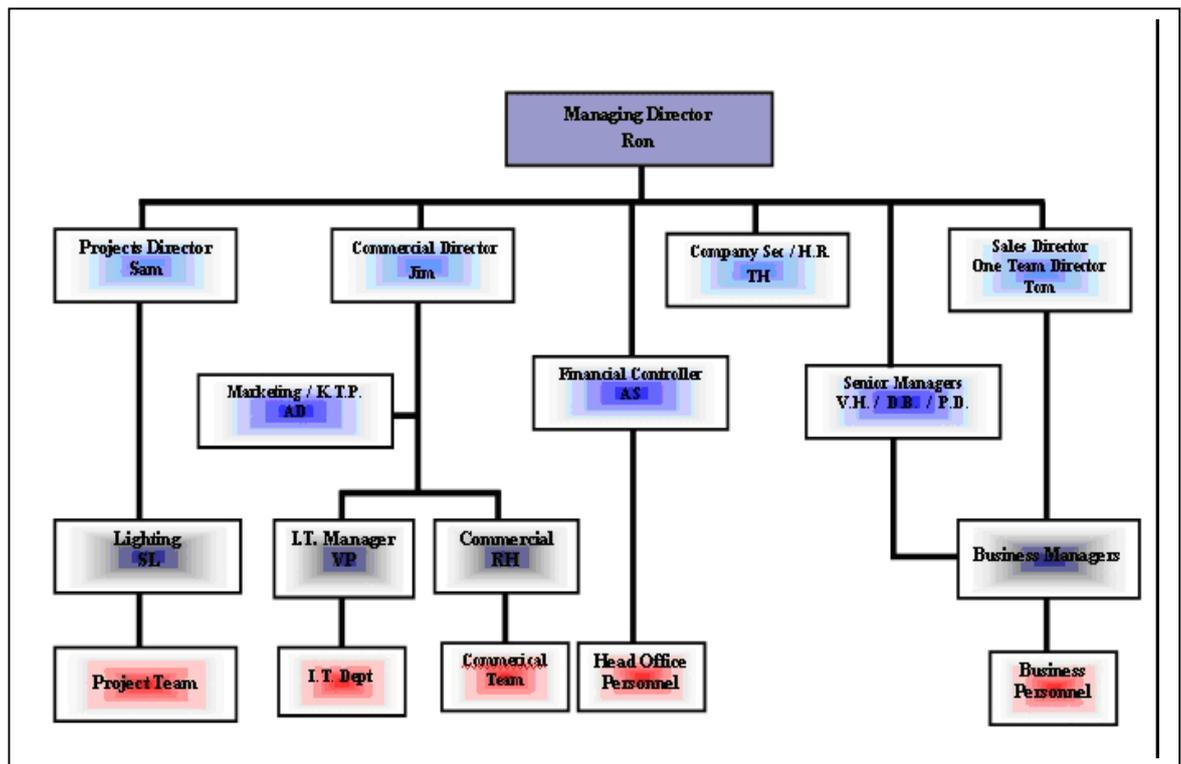


Figure 5.23 - ABC Organisation Chart for 2006

It was also apparent that the role and position of marketing was being tested as the MD was not certain about this. The reporting structure was often built around personalities of individuals rather than traditional structures. For instance Marketing was reporting to Jim instead of Tom because of greater confidence being placed on Jim's ability to steer the new marketing person's involvement in the company. This depicted a tendency to combine business decisions with interests of the owners or the key individuals in the firm who had bought into the family culture.

### 5.2.3.1 Influence of family ownership

As seen in the Figure 5.23 above Ron promoted Sam, his most loyal branch manager from Wolverhampton who had managed the major Government contract as Projects Director to lead ABC's growth in Project Development. This strategy of establishing a Projects Division in the company was a pioneering one in the industry and differentiated ABC in a significant way from competition. In the subsequent two years Sam bagged a few major projects which opened up new markets for ABC. However although the Directors repeatedly encouraged the managers to be more proactive in engaging Sam whenever they saw other big opportunities in their region, this effort did not yield substantial results and to that extent Sam's Project Division was not fully integrated and coordinated with rest of

the businesses. Thus this restructuring effort was a success as a standalone division but did not yield full possible returns due to lack of teamwork so that Sam did not need to build a team of staff to work under him.

Also from 2007, Len was promoted to be Sales Director as shown in the announcement in Figure 5.24 below. Thus Tom became Relationships Director as a follow on from the 'One Team' idea of Ron explained in the Table 5.1. The Researcher interpreted this as a combination of a decision made by the MD of ABC due to poor performance of Tom as Sales Director and a decision made to further reinforce himself as the more powerful elder brother in the company. Subsequently when ABC formally celebrated their 40<sup>th</sup> anniversary in a company sponsored event in the middle of 2007, the founder Alex made a speech in the presence of all ABC employees, manufacturing suppliers and some chosen customers confirming that his elder son Ron was the man in charge of the company. The Researcher concluded that despite these family tensions Ron managed to make changes which helped adoption of Market Orientation. At the same time the company continued to pay Tom for being relationship Director whereas in a non family firm he may have lost the job. One staff member summarised the message he came away with from the event as follows, *"We see where Ron is and he is a brilliant businessman. I don't honestly know the exact role Tom plays I am sure what he does is important to the group as a whole. Tom sort of has a new role. He is very good with especially the bigger customers you know the Directors and CEOs speak the same language So I am sure what Tom does is good for ABC but you only look at the smaller spectrum of what he does for the branch. Ron is the key man. Everything goes through him. Rob is the man that does all the deals and keeps the company afloat. That steers us towards our goals. Captain of the ship."*

In these two years the company expanded by opening two more divisions in the southern region and brought in a southern regional manager TP to oversee growth in the region so that the new responsibilities of the senior management were summarised as below in Figure 5.24.

**From: Ron**  
 í í .  
 Following an ABC management meeting held last week, I am pleased to announce the appointment of Len as Sales Director for the company.

Len will take responsibility for the branch network and is charged with developing stronger partnerships and increasing sales through improved stock and service. Len's appointment means that Tom will be free to spend a great deal more time nurturing relationships with our top accounts and ensuring the continued growth of this vital trading sector.

Kind regards  
 Ron

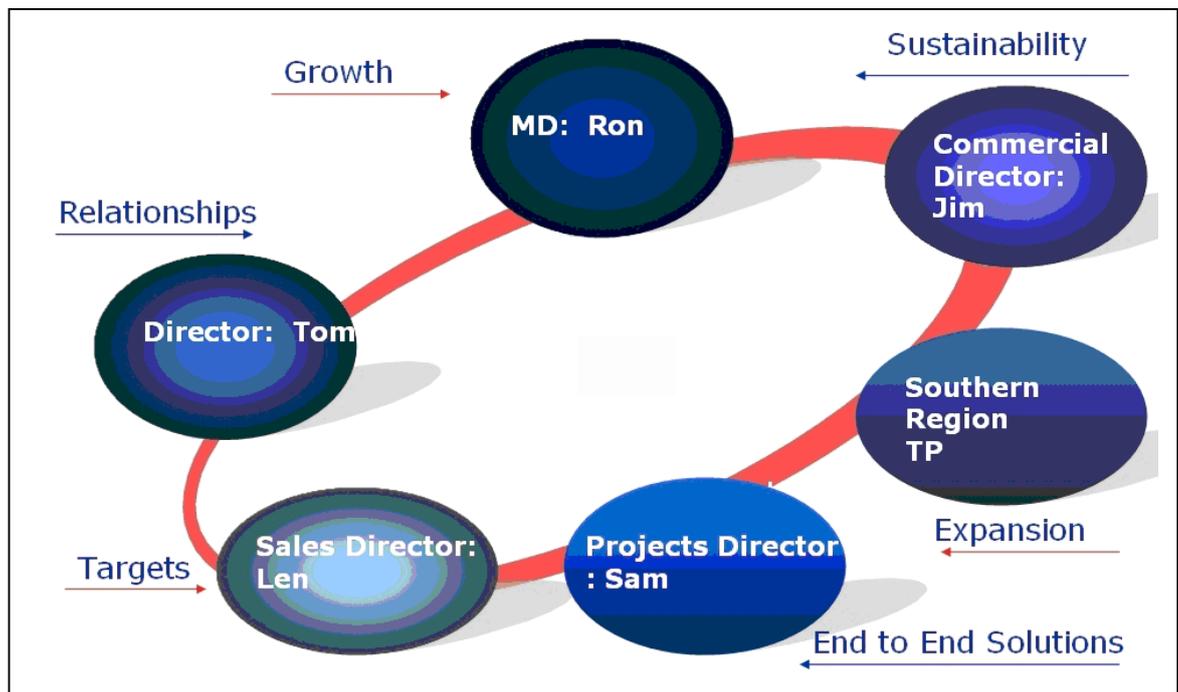


Figure 5.24 - ABC New Structure for Senior Management for 2007

In the next year Ron also restructured the operations at Head Office as seen below in Figure 5.25. This was primarily done in order to resolve the problem of growing credit owed by customers requiring professional management of cash collection procedures and at the same time it helped to vastly improve efficiency of staff. By centralising the credit control department in this way, the MD also saved costs of employing one member for paperwork and invoicing at nearly every ABC business. He let go these staff members as a last resort after initially meeting with them and trying to reorganise their work to maximise internal efficiency. In order to reward the exceptional loyalty as well as hard work of VP who had started as admin personnel and grown within the company to handle the IT department in the last ten years, he promoted VP to be the Head Office Manager. This however led to a situation where the hierarchy was top heavy with staff reporting to three managers where in the past they reported to just one i.e. AS and were quite happy with that

arrangement as explained by one member from the purchase ledger, “Now if I have to take a blimmin holiday I first have to ask JB and she asks me to check with VP and then I have to ask AS, well why don’t I just ask AS alone?” Also VP did not really get involved in the financial transactions other than to enable the processes using the IT systems within ABC.

<b>Memo To -</b>	<b>All Business Managers H.o. Personnel</b>
<b>From-</b>	<b>Ron</b>
<b>Subject -</b>	<b>Head Office re-structure and services.</b>

Dear All  
As you are aware the Company has been undergoing some administrative changes over the past few weeks. This has meant that within some businesses we have made redundancies.

The primary reason for these changes is to ensure that you at branch level receive a premium service from head office on the administrative functions of running a business. There needs to be a consistency and procedure across the company to ensure efficient and effective management of each businesses administration.

We will centralise the Sales Ledger, Purchase Ledger, I.T, into one office which is currently under construction. This structure will enable Head office to improve services to the branch network and standardise procedures at all businesses.

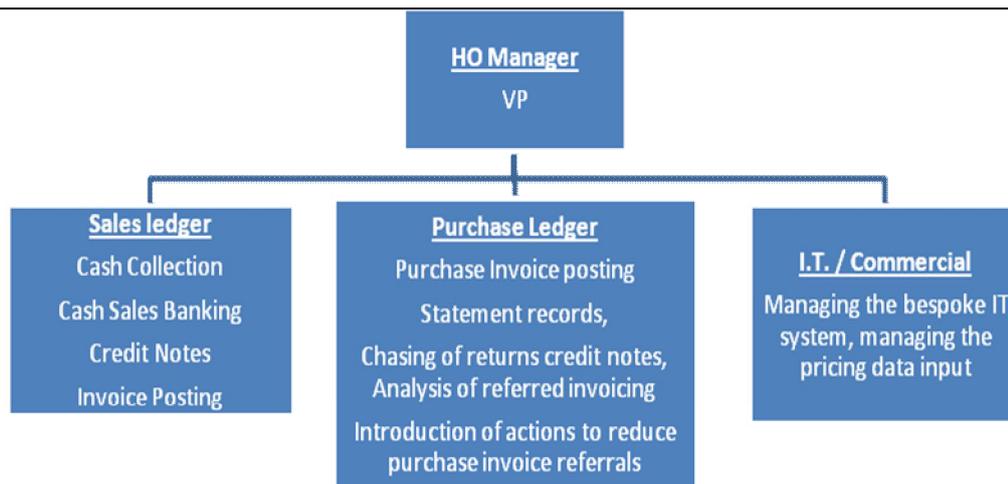


Figure 5.25 - ABC restructuring admin at HO

### 5.2.3.2 Conclusion

Thus Ron appeared to successfully combine the business needs for new management or new divisions with a family orientation for rewarding loyalty along with experience and merit. This was identified by the Researcher as a notable feature of attempt to build Market Orientation within the context of family ownership. In the case of VP it seemed to lead to duplication of authority and increased bureaucracy which was viewed as an acceptable situation to keep reward loyalty. Thus in some cases it was possible to combine family interests with business interests whereas in other cases this led to conflicting situations that were not resolved until the Researcher was doing this project pointing to limited Market Orientation development in the organisation. Ron followed his entrepreneurial instinct and

expected staff to be loyal and work very hard for him as he aimed for expansion. This led to some dissatisfaction among those employees who were demotivated due to lack of a systematic path towards progress and reward based on merit rather than the existing informal arrangement of proving worth and loyalty to the MD in order to improve the likelihood of getting promoted. This was expressed by one staff member as: *“I have been here for 3 years and I have never had a pay rise. I have asked for one on several occasions – you don’t even get a cost of living rise. You want the truth? – I get paid a pittance, I do a pittance worth of work.’ They don’t believe in pay rises. If they treated their staff a bit better they would get better work out of them”*

The restructuring within ABC demonstrated improvements in interfunctional coordination through improvement in business processes, systems and structures leading to some Market Orientation development as described in the conceptual framework. These were also influenced by the family culture at the same time. This indicated the constraints upon Market Orientation possible along with family ownership to the Researcher. However changes were only strongly advocated by one or two individuals in the company part of the senior management and not adopted by the entire company as a whole to become an enduring practice or philosophy. The dominating influence of Len and Ron as the family owner of an SME was observed in decision making for all these initiatives of branding, planning, and restructuring within the company. The systems that needed to be further improved to be Market Oriented involved the processes of recruitment and monitoring of individual performance using methods such as 360 degrees feedback and reward for performance based on merit. Ron announced his intention to introduce regular appraisals but did not follow up on this and did not seem inclined to make it a priority.

#### 5.2.4 Initiatives to improve communication and team work

The initial assessment indicated a lack of formal two way communication and team work at ABC even though the family atmosphere resulted in very friendly informal and personal relationships between the long serving staff. The IT manager VP confirmed this saying, *“Yes we have the organogram as a business thing but the reality is I can have the same conversation with the MD, with the managers and with the girl who reports to me. That is just the culture of ABC”*. It was also observed that Directors as functional heads did not engage as a coordinated team but rather preferred doing all the work themselves in order to get maximum credit and recognition from the MD. A divide existed between the head

office and rest of ABC's business units giving a feeling to Head office staff and the branches of us vs. them. Inter-branch interaction was only restricted to transferring stock from one branch to another if needed and that too happened only when two branches had some personal connections. The branches did not appear to be sharing other knowledge, success stories, manufacturer's special offers etc. One member confirmed this saying, *As a whole we do have problems with communication there is a lot of backbiting going on within the other branches. If we could possibly let them have stock we do when the branches order. But with other branches it seems like they don't want you to have it.*

The Directors were secretive in spreading information so that at the start of the twenty four month period when a branch manager asked for company sales and Gross Profit performance figures Jim advised, *Do you know what he wants to use them for?? I don't think the GP / Sales performance slides gives a positive message so would be inclined to remove these.* The directors acknowledged most of these problems and accepted that their main communication barrier was over reliance on business managers to communicate messages to the rest of the employees in the different businesses. The staff surveys helped reinforced this message from the staff regarding poor communication.

#### 5.2.4.1 Influence of family ownership

The first suggestion from the staff survey which was implemented was regarding a company day. The MD led the plans for organising a Cricket Day. ABC staff could volunteer to form two cricket teams. Staff was invited along with their families and the aim of the event was to improve team work as in Figure 5.26.

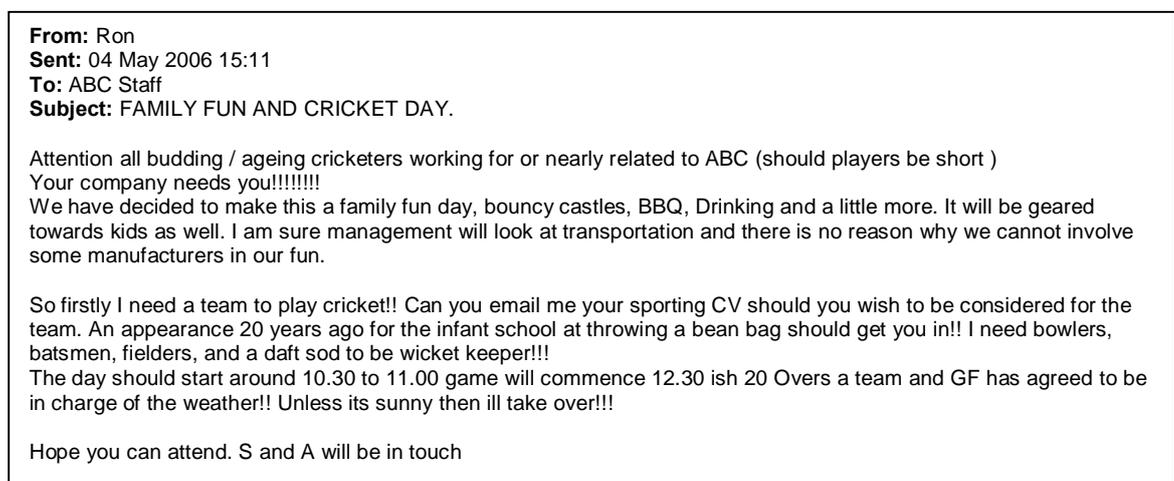


Figure 5.26 - ABC Family Fun and Cricket Day in mid 2006

This event was a massive success in terms of bringing staff from different business divisions together, improving relationships and thereby teamwork. The Researcher noted that the family like tone and atmosphere greatly assisted in building teamwork and received feedback that several employees built relationships which greatly improved their inter branch communication also later. Some of the feedback collected was, *“I think it is a good idea for a team building exercise like the cricket day, everybody getting together getting to know each other. Definitely team building is a step forward”*. Another said, *“I think everybody enjoyed that. I met quite a few people.”* The greatest benefit in improving inter-functional coordination was summed up by one employee as, *“It was a lot better than a few years ago when we only saw the others at Christmas. I think people at ABC who have been for 5 years or so have bought into the ABC way after we did the cricket day.”* Other steps were taken in order to improve relationships and build an informal team atmosphere such as taking team pictures and putting them on the company intranet. In mid 2007 another company event was organised as part of the ABC 40<sup>th</sup> anniversary celebration which was equally successful and well received just like the Cricket Day. In 2008 an event was organised for high performers of ABC. Thus these events became a successful and recurring feature. All of this was very helpful to build informal communication channels. But the message from the first six months of initial assessment indicated also a need for greater participation in business related communication. So the Associate was supported in the introduction of communication tools directly from the Head Office to the rest of the staff bypassing the managers such as a newsletter and an intranet etc. When the Directors wholeheartedly supported the marketing function the Researcher noted this as another major enabler for developing Market Orientation. As suggested in the conceptual framework this was an important element for Market Orientation. The initial assessment suggested existence of major barriers within ABC prohibiting interfunctional coordination which the owner/senior management now appeared to be resolving.

Due to the nature of the KTP project where the Associate was leading the marketing function and playing a major role in highlighting some of these issues, the Directors also encouraged the Marketing function to assist in improving internal communications. Accordingly a two page internal newsletter as shown below in Figure 5.27 was started and run successfully for the next two years and onwards. The staff received these newsletters along with their payslips which were sent to them in office rather than posted to homes. The feedback received by the Researcher indicated that the staff did read it and appreciated

the information provided *“In brief (Internal newsletter) is very positive and it was interesting to know how ABC started. Nice to know what level we are at. We know what the branches are doing.”*

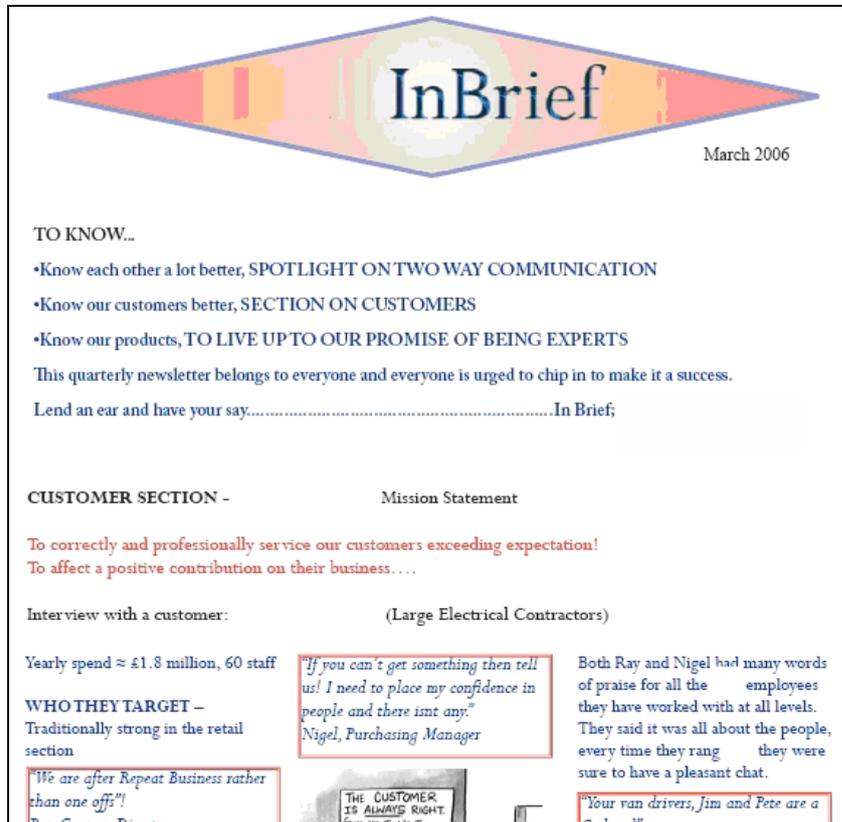


Figure 5.27 – ABC internal newsletter

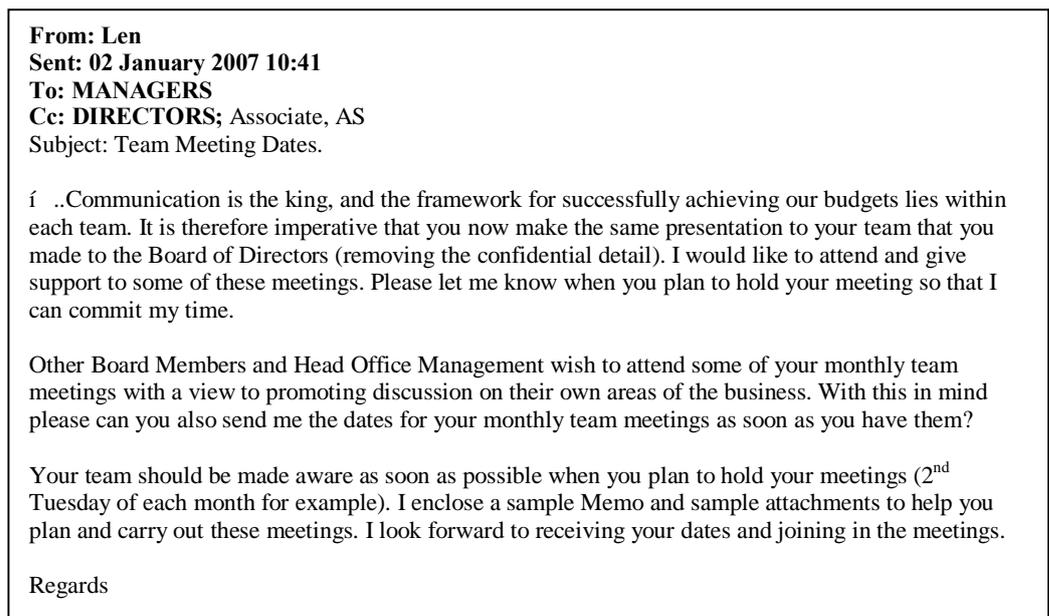


Figure 5.28 - ABC internal newsletter started in 2006 and Team Meetings 2007

In terms of more formal communication, the Directors started making greater efforts to inform branch staff about business plans by including some of this information in the newsletter but more than that they made an effort to visit branches lot more regularly and talk to the staff themselves. They also encouraged branch managers to conduct regular team meetings and attended these meetings for this purpose as shown above in the email in Figure 5.28 The Directors also changed the format of the management meetings and consistently held them once every quarter in addition to half yearly and annual meetings in order to encourage greater participation and input from the business managers themselves. In 2007 the MD reiterated this saying, *“Management meeting is an opportunity for the board to be able to put across to you all in exactly the same way – so message cannot be lost – what we want to achieve – the direction we want to go in. It also gives you as the management team of the company the opportunity to say what you want and we will try to take it on board as much as possible. That is what the meeting is about. Over the next couple days we will discuss numerous items...”* This was especially emphasised by Len for instance with reference to the agenda for the next meeting by the MD as shown below which looked far less Sales Oriented than some in the past such as the one highlighted in the initial assessment of the first six month period in section 5.1.5.1.

In Len’s words, *“You will have seen on the Agenda for tomorrows meeting sent by Ron the heading -Branch Initiatives (open discussion)ø Please be prepared to talk about some of the different things that you have been carrying out or are planning to carry out over the recent or coming weeks. We are looking to promote the sharing of ideas. So for example if you are now regularly holding breakfast mornings, you have employed someone full time on pro-active tele-sales, you are now stocking water heating in depth. Please give feedback on the general idea and the results to date. (Even if it was a complete waste of time). Within this session you should also be able to pick up some initiatives that your colleagues have in place that you may want to find out more from them over a beer in the evening because it may just work at your branch. There are plenty of great activities within the company, I would like to share them around.ø*

THE AGENDA 6<sup>th</sup> February 2007

11.00 am Opening meeting (M.D.)

11.15 am The importance of budgets and forecasting (M.D.)

11.30 am Branch Initiatives (Open discussion)

12.15-12.30 Break for lunch

1.00 pm Salesman K.P.I. ( Len)

1.30 pm Product group sales (Presentation and discussion)

3.00 pm Coffee and

3.15 Until close manufacturer presentation

The evening will be spent in a local hotel, details of the hotel will be given to you on the day.

7<sup>th</sup> February 2007 - Attire for the 7<sup>th</sup> will be smart casual clothing rather than suits

9.00 am Essentials, Main Catalogue & own brand Discussions (Jim and Len)

10.00 am Branch Presentations & Discussion (Ilkeston Branch Manager and Cannock Branch Manager & open discussions)

11-11.15 am coffee

11.15 The projects division (Sam) and Farnborough, Bulford, Aspire & the South (TP)

12.30 What is in the pipeline for the future (M.D.)

1.00 Close and depart

Please prepare for the meeting. In the past we have not had enough participation from the room. This we have put down to the format of the meetings, it is now essential that we see full participation from the management team. Ron, M.D.

In order to improve the inter branch coordination, Len organised meetings also for Sales executives from all the business divisions. As a way to encourage businesses to follow their strategies Len began announcing one branch as a top performer based on different indicators rather than only sales figures to reward with the use of a promotional company car every month. Another partially successful initiative was a cross functional workshop in which business managers divided into two groups to develop strategies for ABC's lighting design consultancy and to develop a training programme for the branch staff. This cross functional team generated support from manufacturers for the training programme which helped to improve product knowledge of some staff members who were then named as Product Champions. Following the training programme, the same manufacturer worked with ABC to run promotions at the sales counters. This depended on finding supporting manufacturers and ran infrequently at ABC but it was another initiative which demonstrated ABC's growing commitment towards inter-functional coordination as well as to training of employees as advocated by Hooley et al (1990).

**From: Len**

Í Thanks for the timely response on the Product Champion Names.  
The present Kewtech promotion is in full swing and is showing very encouraging results for our future initiatives with this chosen key supplier.

I enclose the full list of Product Champion names alongside the relevant training days complete with times and location. A buffet lunch is provided for all delegates.

It is important that each delegate comes prepared to learn. The Product Champion in each business will play an integral role in all future promotions with Kewtech, with this in mind I also intend to be present at some point for both training days.

Regards  
Len

**Figure 5.29 - Example of ABC promoting training programmes in the company**

#### 5.2.4.2 Conclusion

These initiatives had some positive impact and one branch member asserted this saying, *“Before the monthly newsletter it was word of mouth. If something was happening and they wanted you to know then it would sometimes filter through. ABC plans – I do know now. Not so 3 or 4 years ago. But now I know Robin, Tim and John where they want to take it. I have more of an idea what they want to do”*

With regards to communication with front line staff at the different divisions also there was positive feedback as, *“Yeah I think communication used to be an issue. I don’t think all branches had proper communication from the head office but that is the sort of thing that at branch level you always get nobody tells you anything. But of late it has certainly got better.”* It appeared that the interfunctional coordination had greatly improved. But the Researcher observed greater success in family events building up the family atmosphere than in other efforts to improve coordination which had been pushed by Directors on a one off basis such as the workshops and cross functional training programmes that could be stopped if the Directors were attracted by some other measures. Some sceptics refused to come on board and viewed it still as a gimmick on part of the Directors. The Researcher concurred with the explanation of VP who said, *“There is a lot of areas where communication could be improved. It however is far better than it was a few years ago. But you will still get people saying no communication is not good – doesn’t matter what we do. But I certainly think things have improved. But it always has been disputed.”*

This was based on the experience of implementing a new IT system in the year 2007 by investing about 2% of the turnover overall in response to the issues of lack of transparency in price setting and other issues of the old system used by ABC. This investment represented a commitment by the Directors to improve ease of use in processing transactions, in sending quotations etc. to customers, communicating with customers and also managing the invoicing process in coordination with credit control at Head Office. Considerable time was spent in training staff to use the new system and it was meant to improve stock management at the divisions as well as cash collection. The commitment and investment in this by the Directors demonstrated the importance attached to putting systems in place that enabled coordination and solved internal problems of employees. Thus it indicated development of a Market Oriented attitude. The staff were also looking forward to the system saying, *“Getting a new IT system should halve my job in next few*

*years. That is why my job is so hard currently. I am hoping once we have the new system in we will have a system that works for us rather than having to work for a new system. From what I can take from this old IT system it is certainly not a very good system for anybody to learn It is very confusing. Obviously there is going to be a period of time when this will happen in the new system but once we learn together it could also help bring the company together...*” This was the expectation of some but in implementation it was found that staff took a long time to get trained on the new system, some complained of useful features within the old IT system no longer available on the new one and in fact the new IT system was not utilised fully for improving coordination as had been expected. This proved to be a barrier in the company’s Market Orientation and the Researcher concluded this was again because staff expected to automatically get the right system in place but did not proactively provide input at the right time to ensure that their needs would be met. Probably the implementation could have been stronger if the training was provided by more expert professionals with specialist skills than the people promoted within the company based on loyalty rather than skill and merit alone. But in this case without sufficient IT knowledge, the Researcher was not in a position to make this assessment.

### 5.2.5 Campaigns and Initiatives to improve Customer Focus and Competitor Focus

In the first six months it was observed that most employees thought marketing was either unnecessary or had a negative perception about it. Over the next twenty four month period, the Associate as Marketing Manager contributed to and/or initiated the customer and product group data analysis, customer segmentation, branding, budgeting and planning etc. By communicating the success and benefit of these activities to ABC it was aimed to change this negative attitude of employees and embed the marketing function within the company. Correspondingly many staff members did express a change in view regarding marketing over the next two years of the project. But this altered view was influenced by the way marketing was promoted to them by the owners/Directors as a service or tool that they could utilise for improving sales. After the branding project, several managers wanted to work with the Associate for branch marketing communications. Accordingly the Associate created a monthly customer newsletter, updated the company website, ran PR campaigns in local and national trade publications, developed signage and coordinated advertising. Typically a branch manager would ring in saying, *“We have a little wholesaler in Nuneaton who always advertises in the local paper”* or *“All our contractors got this*

*flyer from this wholesaler in Birmingham*” Another gave an example of a national competitor saying “*they did a lot of marketing a lot of flyers, promotions...*” In this way some branch managers started viewing the Marketing Function as purely a resource to design literature, mailshots etc. Some employees did take the initiative to work with the Associate to start loyalty campaigns for improving retention or campaigns to reward customers who recommended them to other clients thus targeting new customers or to organise hospitality events such as breakfast mornings. However most did not coordinate in activities such as planning strategies by using competitor knowledge provided by the Associate, pricing strategies during new product launches, targeted market research to improve customer knowledge etc.

The Directors and especially the MD did promote the role of marketing in these areas too. Directors wanted the Associate to focus on some early wins and bring new business to the company. For instance in the management meeting in early 2007, the MD whilst listing recent key achievements in his introductory speech said, *“The company has a marketing led approach these days – it is still not in my opinion as it should be – we will continue to drive that method of going to market. That is how we should go forward”* They supported the Associate to take a leading role in introducing a *“product of the month”* campaign to promote key new or best selling products every month with a view to product segmentation and focus. The Associate started the monthly customer newsletter which was quite successful in informing customers about all the promotions and activities of the businesses as well as allowing businesses to imbibe success stories within the company at their branch. Also the *“Essentials Campaign”* as a comprehensive customer acquisition and retention programme was launched with significant tangible and intangible contributions from the marketing function. This and other campaigns like the Lamp and Tube campaign were more successful due to the involvement and initiative of Len. Sales and Marketing worked in a coordinated way to run these campaigns and this is described further in this section.

The Lamp and Tube campaign first started with formation of a cross functional team consisting of the Sales Director, the Marketing Manager, two branch managers and one lighting design consultant as well as the MD overseeing the project. As summarised in the Figure 5.30 below the programme was discussed as a team.

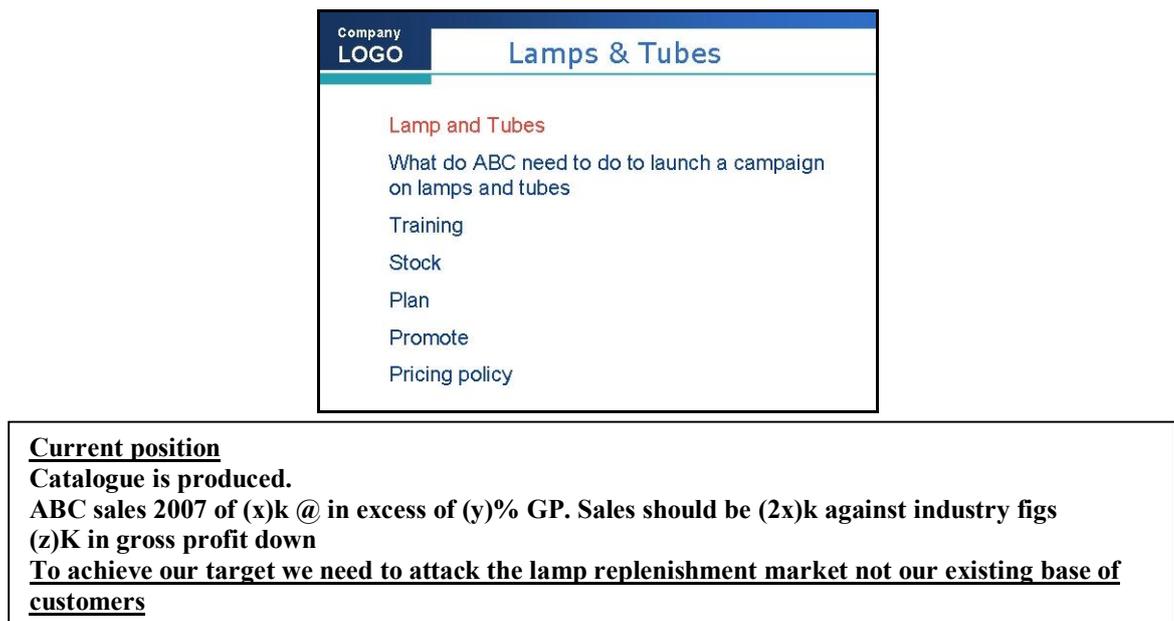


Figure 5.30 - Example of campaign with customer focus and interfunctional coordination

A training programme was offered to Branch staff in conjunction with a manufacturer to assign product champions to each business division. The company also invested in a dedicated Lamp and Tube catalogue in order to maximise promotion of the stock available as well as to promote the energy efficient range of ABC. Product champions coordinated with the marketing function on a weekly basis to determine target areas and promotional tactics. The Sales Director regularly monitored sales progress and received updates from the marketing function regarding the ongoing coordination. This was an example of a successfully coordinated campaign that brought about excellent results over time. A grant from Business Link was secured which also generated significant interest in a new idea among the MD and Directors.

The Essentials initiative launched by ABC was the most successful campaign during the entire research and was implemented across all key ABC departments. The Directors analysed ABC core competencies against competition to determine the ideal customer segments they would like to focus on. The commercial department developed a dedicated stock profile of fast moving products mainly suitable for these key target customers. This was titled the Essentials range. Small Electrical Contractors were identified as the target segment for purchasing customer data by specifying turnover band, employees band, credit rating and geographical distance. Essentials solved several problems at the same time as seen from the feedback of some of the proactive staff members whose words are quoted as:

*“It is an idea tool for pricing for making a decent mark up as well. Yeah it has been a good piece of kit.”*

*“The Essentials stock seems to have gone down well with customers unexpectedly things like wireless door chimes, polished chrome switches which I never thought would sell I have sold quite a few.”*

*“When you have a bright catalogue like this, people will look at it.”*

*“Essentials is very good whether they use the essentials or not, customers get the message that ERF are very proactive, they are actually trying to improve things even if that catalogue does not have what they want, they can see that we are trying to improve the service.”*

*“I think it has addressed some of the stock availability although I think the main purpose of the essentials catalogue with it being a priced catalogue was to ensure that we are working at correct margins. I think our branch was working at those margins anyway. Contractors like it because it is a priced catalogue. You have the man on the street, the one man electrician paying the same prices as a large company basically but that hasn’t been a problem so far.”*

*“ESSENTIALS has reduced that daily conversation with suppliers to a lot of degree otherwise we spent many hours everyday trying to chase suppliers and order stock based on the specific customer orders. Now branches are carrying stock so we are not going to manufacturers but we are going to other ERF branches.”*

The first year results of branch sales indicated a marked increase owing to Essentials stock profile which helped to cross sell, up sell and improved product range at each business. However in the first year the Essentials was not marketed at the branch level successfully enough. The Directors stressed the point that returns on this campaign could be much higher as in the email sent out by Ron below

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I have attached to this email our current records for catalogue distribution. From the document sent out with each KPI you can all see what a great success the Essentials profile has been. I am sure I do not need to remind you all that at the last management meeting the

board gave you the forum to devise a policy for catalogue distribution. We discussed the cost of literature and the efforts that have gone into producing what I believe to be the best literature of any wholesaler in our industry. Yet we are not distributing the catalogues as we discussed at the meeting. This is quite simply unacceptable to me and the board. Why are we not selling the company as we discussed?

I expect to see these figures rise significantly over the next few weeks and will be monitoring this situation very carefully. We should at this moment in time be on the desks of more customers than ever before!

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The Researcher concluded that despite a change in management attitudes, there was not sufficient change in all staff attitudes and they were not responding to Market Oriented initiatives from the Head Office leading to failure of the initiatives to some extent and disappointment. Typical complaints that cropped up in response were as below showing only partial buy in by the staff. As staff were asked to record customer data whilst distributing catalogues this was cited as a barrier by different employees as quoted below,

*“Customers want to get off with what they bought. They don’t like to fill out forms. I haven’t got the time for it. Often than not you fill the essential form for them.”*

*“I think majority of the Essentials is a trade counter based idea. But our trade counter trade is half what it used to be. We used to have 3 people at the counter constantly selling and serving. Now there is only one.”*

*“Prices in Essentials are too expensive. Stock is good. Good if not priced. I have to bite the bullet and give for lower price.”*

*“It has not taken off at the minute because a lot of our customers are settled in their ways e.g. contactum they buy – not willing to change. They don’t care only thing they look at is the price.”*

*“I haven’t been dishing them out to that many companies for the simple reason that a lot of the stuff in there is domestic. There isn’t that much industrial stuff.”*

*“Haven’t had time or manpower to promote essentials in this branch. In theory it is a very good idea. But we are in the catch 22 situation where we first got to cope with what we are doing. If we had a rep then obviously we would be able to promote.”*

*“Until it (stock) is actually put outside. In a small branch like this space is at a premium. We cant afford to put thousands of metres of some stock in the hope that somebody might need it.”*

Thus due to various reasons once again Head Office failed to effectively implement the campaign locally and the Researcher observed this to be mainly an attitude problem. However this was overcome by the Directors who then supported greater proactive implementation by the Head Office rather than expecting the branches to market the solution locally to their customers. With this all branches began to see huge success in the Essentials campaign in the next year.

The marketing carried out by the Head Office to bring about this success was built in three parts led by the Sales Director and Marketing Manager. Len’s proactiveness in ensuring communication of the success at each step was instrumental in getting everyone on board. He also led the process of changing the format and look and feel of the literature based on customer feedback and market research. Firstly, a telemarketing campaign was launched to target the selected segment of small electrical contractors and also all dormant accounts of ABC across all business divisions. This was possible due to agreement of the MD to initially invest additional amounts in hiring outsourced telemarketing resources that provided sales leads on a daily basis to every business. The campaign was managed by the Associate and the Sales Director ensured follow up from the business divisions and monitored the performance. This gave a huge boost to the marketing of the Essentials concept and campaign of ABC internally and externally. Thereafter in the second part businesses agreed to get one member from each division trained for developing a centralised telemarketing team. This was an even greater success. Due to in-house telemarketing the coordination and inter branch interaction also improved vastly. This project demonstrated a very Market Oriented approach. In the third initiative a promotion was launched as a competition between the different branches which were all split into groups. Each Director was made head of one group. This way Len ensured that all the Directors supported the campaign and were actively involved in this. This promotion to be led by Directors was called race to the sun to win a holiday for members of the winning

business as described below in Figure 5.31. Key results were shared with the branches regularly throughout. One manager said about this, *“it is quite exciting actually the prospects in the future because we have really done a good version of the catalogue now with mailshot, email, the website and all the things integrated- We have got a big chunk available to us. I know it is not easy to get it up and running straight away but I think if we put the time and effort into doing it we will get rewarded quite substantially. And then we will wonder how did we do without them.”*



**Company LOGO** Win a holiday

**RACE TO THE SUN**

- First Business from each Pool to invoice £x gross profit from Data Bases “99 Accounts & Dormant”
- Qualifying time period - April 1<sup>st</sup> to July 31<sup>st</sup>
- Maximum contribution from a single trading account = £y GP
  - (£z must therefore come from a minimum of 10 separate accounts)
- Each business within each Division will have a different Director to assist with driving the promotion locally.
- League Tables will be produced weekly

Figure 5.31 - Essentials campaign with customer focus and interfunctional coordination

In one part of the campaign approximately 12% new accounts compared to the existing total number of ABC customer accounts were opened and traded over a period of about four months. Len communicated these results saying, *“A tremendous effort and one that we must not let go to waste. If you have not already done so: What you have collectively achieved, is to create another branch in 7 weeks of focused activity. (Sales £x @ y% margin) all from either the “99” data base or accounts that had not traded for over six months with the company. And remember, this is all aside of the new accounts and business within your annual forecasts”*

#### 5.2.5.1 Family Ownership

These initiatives helped improve the attitudes towards marketing and the customer focus. This campaign was one substantial example of how the owners/Directors also managed to

overcome reluctant staff attitudes which was a barrier in other initiatives also to develop Market Orientation. The success appeared to be still at an experimental trial stage where one branch manager said, *“I think marketing has improved since I have been at ABC. Before I had just several supplier sponsored catalogues. Never totally unified. Now the way we are marketing we are targeting like targeting accounts from Experian that got good credit rating in local areas. It is something that hasn’t been experimented with before. I think it is important to be proactive in contacting customers you know in an aggressive manner.”* Thus in many cases there still appeared to be a tinkering approach as explained in another quote, *“I think we are getting there aren’t we. Especially with all the Essentials catalogues and what have you. Lot of branches are doing more open days, and bringing the customers in more. Yeah I think we are definitely years in advance of where we used to be a couple of years ago.”* It was not a company wide acceptance and it didn’t appear to be a permanent change across the Head office and the ABC business units. Although the MD was keen to expand, he appeared to follow more conservative strategies and tactics that had been tried and tested with the industry. The owners/Directors had tried some Market Oriented ideas but they remained tied to old ways of doing business also and were reluctant to let go of old customer or supplier relationships when needed.

One person working in credit control noted, *“With this company I think they are a bit frightened of losing the customers that they have got. Oh well we will leave it another week, leave it another week. Just ring him again and may be then we will send him a letter. Yes customers get away with murder and they know it and they use it as well. If anything the way I see it if you are running a business and if people owe you money you should follow a certain structure to get that money whether they are your friend, whether you have introduced them to the company whether they have been coming 10 years or 2 weeks it should be as per the guidelines But that’s the way it goes in this company, lots of friends of friends of friends. We are in an area where there are a lot of local businessmen and I think it is just by chance or coincidence that they have landed the big customers they have got. If it wasn’t for friends of friends they wouldn’t have these contracts and it would be just small contractors.”*

#### **5.2.5.2 Competitor Focus**

The Associate also undertook a couple of initiatives to improve the focus on competition within the branch. Feedback from the staff regarding competition indicated that this was

rarely discussed internally within the business divisions. As a result within the same branch, staff members listed different companies as top competitors quite often. Some said ABC suffered because it was only a regional company and could not compete against the nationals. Others complained that smaller companies were more flexible and did not suffer from centralised decisions on choice of manufacturers so that they could cater to local needs in terms of stocking products from required suppliers. Some of these views expressed were due to the prevalent staff attitude attempting to maintain status quo by blaming others rather than changing themselves. The Researcher also felt this was due to internal lack of understanding regarding ABC's positioning in the market place which was attempted to address in the branding project but was not fully successful.

The Associate tried to increase ABC's knowledge about competition by working with consultants from the local university in an exercise to conduct primary research and mystery shopping. This was in order to compare service of couple of ABC's businesses with that of the local competition. Some of the results presented to the Directors and the businesses were found to be surprising. For instance ABC often admitted that they were not the cheapest in the market place but their customers liked to pay the premium for the service they received. However the exercise revealed that ABC's prices and quotes were often lower than key local competitors. Conclusions and Recommendations provided by the consultants from the university in this initiative are as follows:

-----Recommendations from consultants-----

There is a clear opportunity to exploit an on line purchasing approach in an industry that has, so far, proved to be lacking in this area. A level of consistency in terms of pricing needs to be introduced and maintained. Catalogues showing pricing are innovative within the industry and should be introduced carefully. A promotion campaign to small and medium contractors would be beneficial. The report shows that too few know of ABC. This could be carried out by telemarketing or by promotional catalogue and letter.

Within the business, communication still needs to be improved. This would create a more unified approach and a feeling common aim and belonging amongst staff. The team felt that the newsletter was only the start of this process. This should be expanded and consideration should be given to the introduction of an intranet communication system. Profit linked pay could be introduced as a sales driver. This could provide an on-going

incentive for sales staff. Inclusion of all staff would encourage a team work mentality. Team building, social events are already being considered and these should be carried through.

If the business is to be expanded to the general public, then front line staff would benefit from formal customer service training. Mentors could be introduced for less experienced staff in order to develop industry knowledge and improve accuracy and assistance levels. Ongoing training needs to be given to improve staff knowledge of industry regulation.

Dormant accounts and sales enquiries should be followed up. At present quotes that are not taken up are not followed up. There does seem to be some scope for upward movement on prices without losing competitive edgeí .ö

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As seen above the conclusions and recommendations made in this report were immensely helpful to determine or strengthen support for strategies such as the Essentials campaign, intranet development, launching an ecommerce website etc. In this way this initiative helped to improve the competitor focus and thereby Market Orientation of the company. At the same time the Researcher found these results confirming conclusions drawn and observations made separately from events regarding interfunctional coordination, training etc. The work done by the consultants was very useful and relevant for ABC. The Researcher concluded that this was a suitable low cost method that an SME could adopt in order to improve Market Orientation. The Directors were highly appreciative of this exercise and commended the Associate for organising this. But this also seemed to become a one off as it was observed that the company failed to continuously hold a lively discussion about competition at meetings etc. The Researcher attributed this partly to the size of the company with a less than 1% of the national market share and partly to the lack of Market Orientation leading to an internal focus. ABC staff also claimed that in their sector most competitors provided the same value proposition saying, *“I think in today’s market I would say there isn’t a wholesaler that’s got a niche in anything. 90% of them are you know all selling the majority of the same stuff and the key to it is the service side of things. You look after them – that’s what keeps them happy”*. even though the Directors did try to differentiate the company with services like the Projects Division, lighting design consultancy etc. Thus the staff had much less focus on competition than the management.

### 5.2.5.3 Conclusion

The Researcher therefore observed limited development of customer focus and thereby Market Orientation among staff of ABC. Hooley et al (1990) recommended assessing Market Orientation according to integration of the marketing function with the rest of the functions and the level of responsibility given to marketing. In the case of ABC staff it appeared that the marketing function was viewed as more suitable for tactical assistance rather than strategic planning. The Directors initially attempted to alter this and present the Marketing function as an integral part of planning and strategic implementation on a trial basis. The marketing function was able to effectively implement some key initiatives in conjunction with the Sales department but did not become fully embedded within the company culture. When the Associate tried to launch an initiative in conjunction with the Projects Director Sam for recycling and energy efficiency this failed due to lack of Market Oriented attitude on Sam's part. Due to lack of supportive response from the employees at the business divisions, marketing was not fully integrated and remained a service function. This lack of full integration remained a barrier to Market Orientation for ABC.

## 5.3 Assessment of ABC in the final six months

### 5.3.1 Behaviours assessed in final six months

The major initiatives undertaken over the twenty four month period led to the significant changes affecting Market Orientation development as recorded and analysed by the Researcher in this final assessment. In the Table 5.4 at the end of this section the summary of behaviours indicate extent of Market Orientation vis-à-vis causes and means influencing Market Orientation development such as the influence of family ownership, management style of owners, perception of marketing and organisational culture as developed by the Researcher in the framework of Figure 2.5.

After the branding initiative the Directors became more supportive in their attitude regarding the role of marketing in defining the identity of the company and acknowledged the importance of marketing in projecting a differentiated professional image to customers. Staff understood marketing mainly as a means to improve communication, advertising and PR of the company with customers. A staff member explained after this initiative, *“I think it is very important. The way you do that is how successful you will be for any business – you are taking products to market – if you don't do the right thing at the right time, might as well not bother”* Thus the perception regarding marketing was no longer negative. In

the final six months of the project the new eCommerce website for ABC was launched. The MD supported the Associate in developing ABC's eCommerce solution based on comprehensive market research and results of existing and potential customers. Also in a management meeting just before the launch of the website he organised a cross functional team to support the Associate over the next few months for maintaining the customer focus in terms of offers, products, pricing etc. on the website. However the family culture and characteristics of family firms continued to also dictate how ABC should evolve as an organisation along with customer opinion and demands of the market place. This internal focus influenced the changed attitude of the Directors and most of the staff regarding marketing. It was seen as a useful service but the company did not embed the marketing philosophy across all company wide functions. The Researcher concluded that the firm began to accept what they viewed and understood marketing to be but it was a limited view compared to the concept of Market Orientation defined in the literature.

The Essentials campaign was the most successful initiative because it served as one comprehensive solution to many problems such as stock, pricing, targeted literature for giving ABC the right image in front of customers and was implemented with interfunctional coordination. Also the initiatives undertaken to improve market intelligence and competitor knowledge were successful. However these were one offs that improved the Market Orientation of the organisation but in the absence of attitudinal changes in staff were not likely to be regularly repeated. Other than staff attitudes, some management were also tied to old ways of doing business and were not completely converted. So Marketing only worked well in conjunction with the sales director. The Researcher observed that the MD wanted to group Sales and Marketing under the Sales Director. It was inferred that sustained effort by internal champions was necessary to achieve attitudinal change for successful Market Orientation implementation.

In terms of importance given to marketing planning and business planning the greatest shift towards Market Orientation was observed. Due to the initiative of Len, the process of the annual business planning process became irreversibly comprehensive with regular follow up from the MD and senior management as well. As seen in the messages below, the MD proactively changed from one to one review meetings with each department to a round table meeting indicating the improvement in interfunctional coordination.

From: Ron

Sent: 15 October 2008 09:00

The department review meeting is scheduled for tomorrow. I would like to establish the framework for this meeting and an agenda. The meeting is for each department to give information on their current activities and initiatives. We can then discuss these as a team and ensure that we are doing the right things to move the business forward.

That said I have decided to cancel Trevor Parvin attending the meeting to report on the south. I will provide the report on current activity for Farnborough and Bulford and put forward my proposal for the south.

Agenda for the meeting will be as follows

9.00 Start

- 1) AS overview of current cash flow forecasts
  - 2) Company results YTD
  - 3) ADó marketing report
  - 4) Len ó Branch sales and activity
  - 5) Tom ó Account activity
  - 6) Sam ó Project sales and activity
  - 7) Jim ó Stock management and purchasing
  - 8) Ron ó Southern region sales and activity
  - 9) Ron ó Summary and company objective over the coming month.
-

From: Ron

To: Business Managers

As you are all aware the budgets for 2009 included sections for development accounts. This, as we stressed in the meeting, will be the area for each of your businesses to see sales growth over the coming yearí ..

I feel we need to be in front of our customers more than ever before. To that end I will be coming to each business to see some development accountsí .

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One barrier noted during the final assessment remained that the family owner did not share his plans fully nor demonstrated personal accountability. When he took over the monitoring of the southern region he asked the respective business managers to not attend the management meetings leading to lack of transparency with regards to his own performance. The Researcher spoke to the business manager of Farnborough who seemed to resent that he was not attending the meeting because he felt that by attending he would be seen as at same level as other managers. Also the branch staff relied on the monitoring process set up by the Directors and did not proactively follow the process as a business practice. The loyalty to the family owner/Directors was considered along with merit during restructuring and promotions which indicated the MD's ability in striking a balance between the family and business needs. The projects division, lighting design consultancy supported by the MD were very customer and competitor focussed and measures such as the centralised credit control were useful for improving internal communication and efficiency. However despite requests from staff some systems such as appraisal, recruitment etc. were not sufficiently improved and these negatively impacted morale and attitudes of the employees. This represented barriers to Market Orientation.

Communication vastly improved due to informal family events as well as formal communication tools such as the newsletter, intranet, team meetings, improved format of management meetings, cross business sales executive meetings etc. However due to a reluctance to delegate and empower staff, the employees did not take responsibility for embedding Market Orientation. The MD summarised this at a management meeting saying, *“We want to encourage entrepreneurial management. At the same time we are at a point where we need to be professional, coordinated, cohesive in our policies. Key to*

*further expansion is professionalism and good communication. In the past we have sat there and said OK this business was successful so we were willing to ignore deficiencies of the staff or branch manager. We could accept it will run in that way – we can no longer do that.*

*When we develop as a company, change is inevitable. We've got to change in any business. Without change we will die. It is time to step up to the plate and move on to the next level. I couldn't have said this three years ago scared that a successful manager would leave us but now so be it!! If that is what it takes to march ahead we at the Head Office are not perfect but we are one team.ö*

Some staff members' attitudes were also slowly changing as could be seen from the words of one admin staff member below,

*öThere have been really major changes from when I first started back in 97. I was just a little girl in the office anyway. But everybody seemed a lot more scarier and it was a lot more different. The mindset of the board was different and of the workers.*

*In the transition of the old MD leaving and the new one being appointed you had a lot of members of staff leaving the company. Things sort of dropped a bit. We then pulled that back and then the Board have got focussed on where they are trying to head or at least I hope and think that the good feel of the company has been put back in. It is certainly a different place now. You talk to the staff around the branches, the ones that have been around a long time and they will say the same. But I think it is changing for the better. I wish things were changing gradually. That would make things easier. Things seem to have taken on this massive horrendous spurt. Lets see how much we can all end up doing in one go. I think it is fair to say this last 12 months more from the Board's sense is now filtering down to us and the next 3 years is going to be the most radical change that many companies undertake in a short span of time. Certainly as regards to our turnover as well. Its going to jump from well I wouldn't like to say exact figures but we are going to turn from what we are at today to something huge in a short span of business time ö*

The Researcher concluded that by putting more formal systems, structures and processes in place, over a longer period of time Market Orientation could be achieved in balance with the family values which was part of the company identity as explained by a member of staff, *öAgainst the big boys ABC is not that organised. But ABC has a method of working*

togetherö In order to analyse the change in Market Orientation of the company over the three year project the final assessment as shown below Table 5.4 was summarised and compared with the Table 5.2 in the initial assessment.

Market Oriented Attitudes and Behaviors	Management style of owner/manager	Lack of understanding of marketing:	Organisational inertia, lack of control systems	Influence of Family Ownership
<b>Market intelligence collection, dissemination and response</b>				
<b>Enablers</b>	Some Market intelligence was presented at Board meetings.		Some processes were put in place to regularly collect some intelligence e.g. during telemarketing of essentials campaign	Family owner continued to rely on personal networks and informal methods to collect intelligence such as student projects
<b>Barriers</b>	However it was still not used for timely decision making and regular review of business strategies	Many viewed Marketing in context of communications and promotions more than market intelligence	Business Managers did not learn to disseminate this intelligence among staff and respond and IT system was not sophisticated enough for this	However family priorities also dictated strategies. e.g. a new lighting store was not opened when the MD was busy with his new house in spite of research
<b>Competitor Focus</b>				
<b>Enablers</b>		Competitor focus improved by couple of marketing led projects and informal staff surveys	Telemarketing team developed internally collected info on competition	The family values of the company helped to differentiate against national competition and this was now actively promoted by owner/Directors
<b>Barriers</b>	Owner/Directors did not focus on competition separately.	These were one offs and may not be repeated		
<b>Customer Focus</b>				
<b>Enablers</b>	Focus on Planning greatly improved customer focus	Positioning of company due to branding etc. helped in focused targeting	Improvement in systems such as IT, credit control, stock purchasing helped customer focus greatly by addressing different customer needs	MD moved away from initial focus to diversify business away from the core of electrical contractors and used traditional conservative family values as an enabler
<b>Barriers</b>	Many Staff remained sales focused and tried customer focused initiatives due to the Directorsø promotion as one offs	Staff did not fully buy in to the core values of the company and did not respond to changes in customer needs proactively		
<b>Inter-functional coordination</b>				
<b>Enablers</b>	Communication and	Marketing tools		Family team events,

Market Oriented Attitudes and Behaviors	Management style of owner/manager	Lack of understanding of marketing:	Organisational inertia, lack of control systems	Influence of Family Ownership
	team work improved greatly due to initiative of owners/Directors	greatly helped internal communication		hospitality helped to build friendships
Barriers	Staff buy in needed more improvement	Staff didntt work with marketing to the fullest extent in all areas e.g. planning	Some systems e.g. performance appraisal needed improvement	Lacked MDø own accountability and transparency

Table 5.4 – Summary of changes in Market Orientation of the company

### 5.3.2 Assessment of individual Business Units in final six months

The transition towards development of Market Orientation was also recorded at the individual ABC Business units in the final six month period.

It was observed that at ABC Cannock the conditions did not change very much over the total three year period. The branch consistently remained the top performer in sales vs. forecast and also gross profit throughout this period, the management team at the branch remained the same and not much change was observed in their attitudes or staff activities. The business manager always instinctively pursued profitable customers and built very strong personal relationships with them so that he was attuned to his customersø needs. Accordingly he continued to frequently try some new promotions at the branch. But the Researcher observed that the issues surrounding lack of planning and interfunctional coordination in terms of sufficient delegation etc. remained just the same as before. The existing business continued to perform well due to old contacts and established reputation. However when the business manager there launched a plan to start a new fixings division, it was observed that this new venture failed to take off. The original business was thriving owing to old relationships with customers and continued personal involvement of the manager himself. But lack of ability to utilise market intelligence and competitor focus along with lack of planning targeted strategies to acquire new customers for the fixings division was evidence of the Market Orientation missing in the business.

At ABC Ilkeston after Mick took over the business it was observed that the five staff members built a very cohesive team at the branch. Owing to the nature of small businesses, staff continued to do many tasks but at the same time they had instinctively divided roles based on individual strengths so that each member had limited empowerment to get on with their work. The staff explained, *øYeah we don't often talk about it but Mick is customer facing. I say to him – You go and get it (new business) and we will sort it*

*(servicing them and when I say leave it to me it is done.ö The atmosphere in the branch was always upbeat and several other branches also named Ilkeston as their preferred business to contact if anything was needed due to the culture of professional service for internal and external customers that developed at ABC Ilkeston. The staff had bought into the changes in internal communication saying, “For example D at Wolves – He knows that if he rings me and he is in desperate need for a favour it will be done and I know that if I ring him he will help me. So the cooperation has come a long long long way. Communication has got a lot better. There is always room for improvement. Some branches have special purchasing prices. They can go in and buy on special contract prices. If that was made more readily available to other branches it would enable us to compete. I think there is now a good line of communication between directors and head office staff and branch management. There is a good circle of communication there. But there isn’t such a great circle of communication between the branches. So where as we are all trying to get together up here at this sort of level, down here it has a way to go. Team activities help. The cricket day was brilliant. Really enjoyed it. The monthly newsletter – It is nice to see that”*

The internal staff at Ilkeston were also very customer focussed and very aware of the performance of their own branch. They were aware of the strategies that Mick was pursuing and supported him fully. All this was explained saying, *“Probably half of our original business is actually gone to Nottingham. So the company hasn’t lost it but we didn’t want it because it is not our style of business. We are hoping to overachieve by 13 to 15 thousand. We over achieved by 8K last month which is nice.”*

When asked about the advantage of working with the marketing approach the feedback was, *öGetting the right sort of target to get new business in is the key. Some business can get lots of money there but it is very very hard work and we don’t want that. That is not what we are about. We want the factories, the maintenance. Which is what we are getting at the moment. Our GP is 12 to 13K£ better than last years and that’s because we are not doing as many of the larger contractors any more.*

*The harder thing is getting them (new customers). You can also fall down if you are complacent with customers who keep coming to you. You cannot say – He will be all right, I will deal with him later. It is very rare that a customer will come HERE and speak to ANYBODY and not get an answer as quick as he wanted. The only time it happens is when*

*we are waiting for a manufacturer. We know the customers, build a relationship – they tend to be very loyal – need to bring them to that point. A lot of our customers are coming to that point right now at the same time. We are doing less quoting now. They will ask for stuff they do not know.*

*If you go in any (other) trade counter and say you want something like that first thing they are going to look in the catalogue to find it and second they are going to say “no mate don’t do that”. We do a lot more running about and chasing answers. Other people say it is not worth it. But we do chasing down answers as part of the package we offer.”*

Thus the Researcher observed Market Orientation in staff and management. At the same time Mick as business manager also continued to demonstrate some traits of a family culture. He said he didn't want to expand the business too fast and didn't want the size to become unmanageable. He was wary of marketing jargon and wanted to control the relationship between his business and the functions at Head Office. Sometimes his reaction to Market Oriented planning etc, was that it would be too much for a small business like his. This demonstrated the extent of possible Market Orientation as it is traditionally defined in the context of a family owned SME to the Researcher.

At ABC Leicester also the business performance improved vastly and the business manager worked closely with Head Office, with the Marketing division and with the Directors. The business manager at Leicester was the first one to approach the Associate for marketing saying, *“My personal preference would be for you to sit down with the guys downstairs every 3 months and ... (planning) over the next 3 months”* Also he utilised the change in style of communication of the Directors, *“The Directors are coming round to the branches, more friendly, approachable and they listen to our arguments and if they think it is good criticism they take it on board and if they think it is bad they tell us as well you know. They are honest. I much prefer this work environment.”*

However staff usually did not know what his plans were and would often say, *“Richmond knows everything, he is the best man to speak to”* The team did work well together because the staff liked and respected Richmond but the staff attitude denoted that they thought Richmond wanted them to be sales oriented. Staff could see changes in the branch and some of them were questioning the existing ways of doing business saying, *“When I first started it has become more professional especially with staff turnaround. The staff we had*

*before was probably not as professional. Marketing is something that to be honest I haven't really thought about. And from what I was saying earlier ....is that always the best way I don't know. I am not a marketing type of person when I walk through the door in the morning I get encompassed in my own world. I think if it is done right it would be fantastic. It is how you do it. "*

ABC Leicester and Ilkeston often performed better than other branches as seen below in Figure 5.32 due to the changes that these businesses had implemented.

From: Len

CONGRATULATIONS to the team at Ilkeston!!!

£x high street vouchers are on the way.

Branch	Product A	Product B	Product C	Total
Ilkeston	46	3	9	58
Cannock	45	1	0	46
Other branches	13	3	10	26

Anybody wanting help and advice on face to face counter sales, A at Ilkeston is your man!!!!!!!!!!

Please take time to ask yourself "Am I happy with my result? What does it tell me about the culture in my business?"

-----

From: Len

Sent: 21 August 2008 08:59

To: MANAGERS

Cc: DIRECTORS

Subject: FW: Simple but effective!!!!

Attachments: water heating database-results.xlsx; At Leicester branch we have choose as a collective to concentrate on electric water heating with our chosen partner Dimplex for the month of august.doc; Leicester Water Heating by Customer - Jan to Jul 08.xls

Gents

Please take some time to read and digest how Leicester **as a team** is making a structured attack on **product group sales**.

I think Richmond's header of "Simple but Effective" just about sums it up.

**Figure 5.32 - Examples of improved performance at Ilkeston and Leicester**

The Researcher concluded that due to real change in their attitudes, the Branch Manager and key staff members at Ilkeston branch were most likely to continually adopt the process of planning and implementing in a customer focussed Market Oriented way in response to market intelligence along with empowerment of staff members which in turn helped to improve their performance. However Ilkeston heavily valued family values alongside a Market Oriented approach.

Leicester branch had successfully implemented customer focus. The business as an SME had most successfully identified low cost ways to obtain and share market intelligence internally and respond to it retaining the quick flexibility of a small business by putting some structures, team events or incentives and role allocation in place. However this was led by the changed attitudes of the Leicester Branch Manager. The manager did delegate sufficiently however without empowering employees so that staff attitudes had not fundamentally been altered.

At Cannock branch the business continued to be extremely successful due to the lead of the Manager who continued to balance between family values and an entrepreneurial instinct. The manager fully supported new Market Oriented initiatives such as the Essentials when they were launched and tried them at his branch but an attitudinal change was not detected.

### 5.3.3 Attitudes assessed in final six months

The following quotations spoken by staff members at various branches during the period of final assessment summarised a change in attitudes that was observed. Each element of Market Orientation was considered while making this final assessment of changes in attitudes as included in the conceptual framework of this study and also based on the scales of MARKOR and MKTOR that refer to these elements as was noted in the literature review:

### On Customer Focus

One business manager said the following when asked about his understanding of service that ABC and his branch provide or should aim to provide. This demonstrated some change in attitudes of employees at the branches which indicated partial Market Orientation adoption. In the second quote from the Company Secretary it became evident that the management had understood the importance of Customer Focus as well as its interlink with interfunctional coordination which was also important.

*1) What is service? Delivering goods on time, having the right stock in the warehouse, knowing the products, familiarising and building friendships with customers and generally trying to make sure their job is going smoothly and that is service.*

*If I was an electrician I would look for on time, reasonable price, by a nice bloke who you can speak to. Whereas in Neweys you order a product and 5 days later it turns up with a miserable guy who says – I am not getting off you get it yourself. But still people buy it because its cheap or it can be cheap.*

*2) Company wide customer focus I think is vital. I think if you were to look across the whole company and branches communicating and helping each other then you are looking at achieving over 75%. If you were to look at some individual branches as a team it is probably higher than that.*

*The interbranch – if that works well then the branches are working with each other. If that falls down then there is a communication problem and branches for one reason or another are not willing to assist another branch to satisfy customers either.*

### On Competitor Focus and Market Intelligence

The branch manager from Blaby recognised the importance of competitor focus but attributed the lack of attention on competition to a shortage of resources. He did however aim to coordinate with the marketing function to improve the process of gathering intelligence on the market and competition and then responding to it.

*1) If you know more about competition can organise yourself better. I am trying to organise a system for the sales rep. Can marketing help with this? CEF do on their system*

*– they put all their customers in – how often they need to call them – date and area. They just print off the call planner for that day. Obviously you have to put data in it.*

*As a sales rep unless you organise your week you can be driving around in circles. All the manufacturers do it – some sort of call plan. You cannot target customers and you tend to collect other useful information also on the way*

### On Interfunctional Coordination and Communication

The words of the Leicester branch manager below reflected his understanding of the importance of planning and appropriate communication of plans and actions to ensure interfunctional coordination and staff participation. The second quote from a senior staff member at the Head Office however also demonstrated that some employees were dissatisfied over poor remuneration. Also the researcher noted a lack of clear role allocation and a tendency to favour initiatives of some loyal staff members rather than ensuring coordination and job satisfaction for all employees. This mixed feedback regarding interfunctional coordination indicated some but not complete Market Orientation adoption.

*1) I get a buzz when Tom or Ron ring up and say “yeah you have had a fantastic month” Ron always makes a point - if we have had a good month he will go downstairs and tell the guys. Or he encourages me – pat on the back. It motivates if you have branch of the month not just for sales figures but if someone comes up with an idea that they get a mention in the newsletter, a bottle of bubbly. I think it will make people come forward a bit with ideas, with new plans*

*2) Role has grown in work but not in salary. Still working on that one. Yeah I have dropped a few hints. I will be rewarded in heaven one day I am sure. There is no limit to what they will let me do or what I can do and if I need help or training they say yes if you need that then you can have that.*

### On change in attitudes of staff and management

One staff member from the Nottingham branch said the words below about marketing reflecting a clear change in attitude regarding the marketing function. It was not viewed as negative or irrelevant for their firm. However at the same time it was seen more as an aid to sales rather than a philosophy as advocated by Hooley et al (1990). The second quote

from a member of the Management team at the Head Office however did denote an attitudinal acceptance of Market Orientation. The Researcher concluded that management attitudes demonstrated adoption of Market Orientation to a very large extent but it was not a company wide successful adoption.

*1) Marketing is letting customers know what we are all about. What we are good at and hopefully we get some feedback from it. Do you think ABC is Market Oriented – No I don't. Just from what I have seen. I mean if I don't know of marketing products then the customers aren't going to know of any.*

*2) I always thought marketing is just sending out leaflets. Having seen what you do I see it is beneficial to the branch managers if they take it on board and if they put a bit of thought into it. It is not just about sending leaflets out is it? I can understand the promotion. Marketing is as you have done – ask the customers what they think, asked even internal people what they think and even on the suppliers side and get views and ideas of where the company could be gone wrong and trying to correct it.*

*Is that correct is that marketing? It is things we would never have done and probably subtle things. It has got to be some benefit to them. You can't measure them and that is the trouble. Nobody is going to say we got that because of that. It is what the managers do differently to make them do something better for them to make more money but the thing is to trace that back to them is an impossible you cant do it.*

*What marketing is, is a part of the company. Whether a company of our size was big enough for marketing I don't know. Surely should be if we are doing £18 million quid a year. Yes I am sure. Marketing is not we are going to spend this and get this amount of money. It surely is – let us spend that amount of money just to try and make ourselves better.*

#### 5.3.4 Summary of the final assessment

A comparison was made between the assessment of the company and its business units at the start of the period of study and the levels of Market Orientation in the final assessment in the last six months. This comparison was based on the likely causes and means affecting Market Orientation derived in the conceptual framework as shown in Figure 2.5. The assessment summarised in Table 5.2 and Table 5.4 respectively demonstrated a marked

reduction in barriers to development of the elements of Market Orientation namely market intelligence generation and dissemination, customer focus, competitor focus and interfunctional adoption. The change in attitudes of management and employees over the period of study was also assessed as explained in sections 5.1.5 and 5.3.3.

The analysis of record of activities undertaken in the twenty four month period of the research indicated some limited development of Market Orientation when compared with measures recommended by Hooley et al. (1990). Measures used in Hooley et al (1990) provided a more implementation oriented approach and suggested the likelihood that businesses change their understanding of marketing in stages or degrees similar to the framework developed by the Researcher based on the SME stages model as described in Table 6.1. As stated in section 2.4.3 and described in the final assessment, the researcher was also guided by the elements discussed in the MARKOR scale of Kohli et al (1993) and the MKTOR scale (Narver and Slater, 1990) to build this comprehensive framework as shown in Table 6.1. Thus similar to Kohli et al (1993) and the others, the researcher also analysed the incremental change in degree of Market Orientation rather than measuring against a theoretical concept of complete Market Orientation.

Based on these observations and analyses the Researcher concluded these final assessments in Table 5.5 regarding the company as a whole and the three business units within it as below including the initial assessments of Table 5.3. The partial development of Market Orientation was inferred based on the conditions met by the case study company. This was in line with similar findings by Hooley et al (1990), Kohli et al (1993) and Narver and Slater (1990). For instance Kohli et al (1993, p. 468) recommend viewing Market Orientation in a way that allows one to assess the degree to which an organization is Market Oriented rather than force an either/or evaluation.

Company	Assessment in first six months	Assessment in final six months
ABC	Reactive with Managing Director Entrepreneurial	Partly Tinkering and partly Market Oriented
ABC Cannock	Entrepreneurial	Entrepreneurial and partly Tinkering
ABC Ilkeston	Reactive	Partly Market Oriented along with family values and partly Tinkering
ABC Leicester	Reactive with Business Manager Entrepreneurial	Partly Market Oriented and partly Tinkering

**Table 5.5 - Assessment in first and final six months**

## 6. Conclusions and Inferences

### 6.1 Summary and Conclusions

This research aimed to establish the causes and means affecting Market Orientation adoption, to determine the extent of Market Orientation adoption and to explore the nature of Market Orientation in family owned SME businesses.

The review of research on Market Orientation including Narver and Slater (1990) and Kohli and Jaworski (1990) revealed a significant literature devoted to defining and validating the concept of Market Orientation, antecedents and identifying the positive impact of Market Orientation on business performance (Jaworski and Kohli 1993, Harris 1999, Lukas and Ferrell 2000). Based on this review a universally applicable framework for exploring the nature of Market Orientation was developed as shown in Fig 1.1 aligned with the research of Gray and Hooley (2002) who analysed Market Orientation as the implementation of a corporate culture or philosophy which encourages behaviours aimed at gathering, disseminating and responding to information on customers, competitors and the wider environment in ways that add value for shareholders, customers and other stakeholders. Accordingly it was concluded that Market Orientation development included the development of attitudes leading to the required organisational culture as well as the resulting set of organisational behaviours related to internal operations and external focus.

In the context of SMEs however, researchers cited the unique characteristics of small and medium sized businesses to suggest a need for greater study of how marketing can best suit the needs of SMEs. Hogarth-Scott et al (1996) and Carson (1985) concluded that marketing is misunderstood and underutilised and recommended fitting the marketing approach to suit the circumstances and characteristics of small firms relevant to their different nature of doing business, limited resources, lack of specialist expertise and limited impact on the market place. Theoretical models that have been developed for this purpose were reviewed and compared based on the summary provided by Siu and Kirby (1998) who identified insufficient literature in this area and recommended adopting a contingency approach to explore Market Orientation in SMEs. The contingency approach advocates that universal marketing principles are applicable but the process of

implementation may vary based on the specific requirements and characteristics of small businesses. Accordingly the Stages/growth model (Churchill and Lewis 1983, Carson 1985, 1990) was found to be a useful starting point to analyse the implementation process and extent of adoption of Market Orientation in family owned SMEs. The influence of the owner on characteristics of SME businesses and their operations was also highlighted in the SME literature (Hill, 2001a; Storey, 1994) and this also had to be considered to determine a suitable implementation process and to identify the causes and means influencing Market Orientation development as summarised in Figure 2.2 and Figure 2.3.

In the literature review of family businesses also, the influence of the family owner was said to be key and therefore taken into account as in Figure 2.4. Family firms were described as having unique characteristics due to the owner's competencies and management practices. Researchers such as Fletcher (2002) and Kotey (2005) indicated the need to examine the family culture characterised by loyalty, control, unilateral decision making, informal friendly communication, all largely shaped by the owner in the study of family firms. The researcher noted resulting cultural, behavioural and structural contradictions likely to affect Market Orientation development in family firms as summarised in Table 2.2. However Tokarczyk et al. (2007) concluded that 'familiness' qualities could contribute to a propensity for execution of an effective Market Orientation through family relationships, customer orientation and strategic focus after analysing multiple interviews from family owners and managers. Allio (2004) also stressed that typical family firm characteristics could be looked upon as enablers rather than barriers so that the nature and extent of Market Orientation adopted was suitable. It was inferred from the review that the family culture could be aligned to a Market Oriented culture and this implementation could again be possible in stages so that businesses transformed initially from 'family first' to 'business first' organisations and then went on to adopt Market Orientation. As argued by Reid et al. (1999) orientations change as family firms develop and the likely process of this was summarised in the final framework for family owned SMEs (Table 6.1) and tested during the fieldwork of the project for a period of thirty six months.

Initial observations for the first six months revealed that the company as a whole had a reactive approach whereby marketing was considered irrelevant and staff often had a negative perception about it. The company had a Sales Oriented culture. The Managing

Director was a second generation family owner with a slightly different mindset from his father and had recently started making his mark in the business. His entrepreneurial attitude therefore contrasted somewhat with the more laid back attitude of 'old timers' across the different business units who regarded his new ideas with suspicion. In the first six months of the research it was observed that the new MD was trying to transform the firm from a 'family first' to a 'business first' company in terms of risk taking and control exercised (Reid et al 1999). Owners/Directors decided to start a marketing function to be managed by one person as a new endeavour but were not sure about the process of embedding a Market Oriented culture nor its importance and were very reluctant to invest too much financial resource in the function. The MD had a lot of expectations from marketing for improving the business but was not expecting himself to change. He also expected middle management to be entrepreneurial but did not agree to authorize or delegate enough so that everyone was trying to please the owner rather than acting as a coordinated team. Staff attitudes were mainly characterised by a strong family orientation and expectation of job security in return. They found Directors very approachable on a personal level but were dissatisfied with both formal and informal communications and the perceived inconsistencies in their instructions. There was a negative perception about marketing which was considered unsuitable for a family SME such as theirs. Traditional methods of conducting business based on personal relationships of front line staff were observed rather than proactive collection of market intelligence to satisfy specific targeted customer segments with well planned company wide coordinated initiatives. Staff played to internal strengths and boasted about good relationships and service rather than focussing on customer feedback or competitors' new initiatives. Based on these observations the researcher assessed that the organisation was initially in the reactive stage whilst the second generation owner/managing director had an entrepreneurial inclination as he had recently assumed ownership of the company.

As a participant observer it was possible to be part of and record the changes occurring in the businesses over the next twenty four months and the activities undertaken to adopt Market Orientation. The branding initiative undertaken helped to develop a positive outlook towards the impact of marketing on business performance. That along with planned strategic marketing campaigns for lamps and tubes and the 'Essentials' initiative demonstrated behavioural change of improving customer focus in terms of segmenting, targeting specific customers and differentiating ABC from the competition using brand and

marketing communication tools with strong performance results. But the attitude only changed from being negative about marketing to viewing marketing as a support to sales that improved customer focus. The organisation did not embrace Market Orientation as a philosophy. Also the family owner did not want to let go of the control over ABC's brand and corporate identity showing emotional attachment and internal focus while transitioning to the new brand. It was concluded by the Researcher that initiatives for collecting market intelligence and focussing on competition were successfully undertaken as detailed in the report but unlikely to be regularly recurring.

In terms of planning, ABC business units were included in the planning cycle and began to adopt this due to the commitment of Len the new Sales Director and thereafter the other Directors who ensured regular follow up, initiated planning and provided continuous support to ensure its implementation. But staff followed the assigned planning process out of a habit of following instructions from Directors rather than change in their own attitude towards doing business which was a slower process as they saw benefits of that change. The planning and measurement process moved from only fixing sales targets for the year and distributing only monthly winners in terms of sales to coordinated planning focussing also on strategies regarding customer types, target product groups, strategies against competition and internal business considerations. The MD made a great shift in terms of coordinated planning, sharing plans and introduced board meetings and departmental head meetings which became a regular practice not a one-off attempt. In terms of importance given to marketing planning and business planning the greatest shift towards Market Orientation was observed.

The changed attitude of the MD was reflected also in some demonstrated merit based promotion balanced with rewarding loyalty and improving internal efficiency through restructuring. Organisation of training programmes for staff also improved with the help of manufacturers which indicated much better interfunctional coordination. It was noted that in the case of SMEs interfunctional coordination was extended to close partners of the company rather than only the departments within the business. The introduction of more informal communication through family days and hospitality events for customers was successful. Greater two way communication in day to day business related matters as also in the management meetings further improved interfunctional coordination.

Some employees still remained dissatisfied with their growth prospects and the Researcher noted a lack of systemic change in this area. The lack of individual appraisal and pay for performance demotivated many staff who were keen to make their mark as they observed the organisation growing more dynamically. The MD had once floated the idea of appraisals and a human resources handbook including documented roles and responsibilities against job titles but this was not followed through. It was felt by the researcher that such an initiative along with a discussion of a career progression path and remuneration scales would greatly improve staff relationship with management and their motivation to take more ownership of Market Orientated ideas. The IT system received a huge investment in order to improve processes such as quoting, transaction records, CRM (customer relationship management), invoicing etc. and strong effort was put in by the IT manager to train the staff. This was analysed as a positive step to improve interfunctional coordination and customer focus. The limited success in getting employees to use all features of the system due to their unwillingness to get trained on the system however hindered Market Orientation adoption. The Researcher inferred this to be a result of their demotivation which led to their lack of involvement in some respect.

Marketing was given an important place with regards to attending board meetings and being part of the decision making process. Marketing was positioned as an integral function within the hierarchy of the organisation along with an attempt to constantly build more sophisticated structures. Some restructuring measures such as a centralised credit control department to improve cash collection gave sustained positive results whilst others were driven by a need to maintain the family focus along with improving efficiency without harming internal cohesion.

In the final six months of the project, the extent and nature of Market Orientation was reassessed. It was concluded that the organisation took significant steps and succeeded in partially developing Market Orientation whilst some employees, processes and parts of the business remained in the tinkering stage. The owner balanced family priorities with Market Orientation characteristics denoting that the possible extent of adoption of Market Orientation is limited in such family owned SMEs even though the nature of Market Orientation remains the same. Within the business units under observation also, varying degrees of Market Orientation developed over the course of the project. This was similar to the view of Kohli et al (1993) who in measuring Market Orientation recommended

assessing the degree of Market Orientation rather than an either/or evaluation. At Leicester, Market Orientation was partially adopted led by the proactive entrepreneurially oriented business manager who took on board several of the changes introduced by the Head Office whereas in certain areas the tinkering approach continued to be observed. In Ilkeston branch there was greater Market Orientation demonstrated by leveraging from the strengths of the traditional family focus in terms of conservative strategies, internal cohesion based on loyalty alongside introduction of systematic procedures, greater communication and role allocation to improve behaviours related to customer and competitor focus. In Cannock branch the manager was entrepreneurial and unlike Leicester, failed to change in terms of greater delegation of authority, greater sharing of information etc. resulting in lesser Market Oriented behaviour.

## 6.2 Limitations and Contribution

### 6.2.1 Limitations

Some concerns regarding the limitations of the case study approach in generalisation were considered. As suggested by Yin (2003) the aim was to use the case study like an experiment to make inferences about the contingency theory and to build on existing knowledge. The analogy given to demonstrate the relevance of such case studies states that there are two ways to learn to build a house. One might study the construction of many houses or the construction of a particular house. The logic behind concentrating efforts on just one company was that there may be insights that need to be gained from looking at the individual case that can have wider implications (Petre and Rugg, 2007). The case study method provided a greater opportunity for in-depth focus on relationships and processes within social settings which tend to be interconnected and inter-related. Moreover the company consisted of several business units within the umbrella of a single family owner and framework of a small enterprise. Comparing these SME units helped to mitigate the disadvantage of inferring from a single case study in this research.

This project thus helped to gain valuable experience of using qualitative methods in conducting research with an ethical and scientific approach to add to the existing knowledge on Market Orientation in family owned SMEs. The limitations and difficulties experienced were accepted and mitigated where possible as described below.

There was likely to be some conflict owing to the dual role for the researcher in terms of being an employee of the organisation as well as of being the investigator making impartial independent observations. The reactions and responses could be more guarded in the presence of the researcher. This effect of the investigator's presence on the setting would be a limitation for any participant observer as described in Gillham (2000). This impact needed to be mitigated and hence Participant Observation was chosen as a part of multiple techniques to collect data. Evidence was gathered also through emails, reports and meetings where the researcher did not have a prominent influence. Beyond this the limitation was accepted and to minimise its impact, the researcher's role was explicit to the senior management and although not hidden from the rest of the employees it was not loudly advertised either. The advantage balancing this limitation was the awareness of the context, the ability to participate in the observed settings and to gain the trust of the people for truly understanding the complex realities of the subject.

Also it was felt that the two roles were well inter linked. As the employee/Associate it was possible to participate in, initiate and promote activities undertaken to develop Marketing within the company. Equally the Researcher was interested in observing and analysing activities related to Market Orientation development. This made it possible to question and investigate without rousing distrust. At the same time there was no personal dilemma or exaggeration of the role of the Associate or the level of success achieved. This was because the Research was not aimed to prove that Market Orientation adoption was possible in family owned SMEs as a definite certainty. On the contrary it was an open test of the implementation process and correspondingly the result only indicated limited Market Orientation was achieved. Use of concrete documentary evidence and quotations provided during interviews along with the data collection methods listed above helped to strengthen the observations as being unbiased.

The limitations of the interviews were also considered in the context of this dual role. It is possible that interviewees and interviewers have their own preferences and prejudices and these are likely to have some impact on the chances of developing rapport and trust during an interview. The gender, age and ethnic origins of the interviewer can have a bearing on the amount of information people are willing to divulge and their honesty about what they reveal. The researcher believed that these factors did come into play not only with regards to interviews but also with regards to overall participation in the research. These are accepted as limitations that may have reduced that amount of openness in communication with the researcher. But in a sense the gender, age and ethnic origins of the investigator may have also helped to build trust by reinforcing the researcher as an outsider rather than a part of the owners/Director's club. As it was known that the associate was employed on a temporary basis this also reduced tensions and suspicions among staff who may otherwise have perceived the associate/researcher as a threat to their authority and territory. Thus on reflection it seemed that these limitations existed to the extent of somewhat reducing the richness of data collected but these limitations did not result in contradictory or inaccurate observations and conclusions.

### 6.2.2 Contribution

The final framework developed in Table 6.1 constituted a significant part of the overall contribution of this research. This study thus helped to create a comprehensive framework defining the nature of Market Orientation, test its applicability to family owned SMEs and identify likely constraints. This creation of a detailed framework based on the stages model in SMEs (Carson 1985, 1990; Churchill and Lewis 1993) and on the concept of the gradual development of family owned firms (Reid et al. 1999) for describing the nature and implementation of Market Orientation is considered to be an important new addition to this subject. The Table 6.1 is the Researcher's own synthesis of the themes of SME stages and family ownership to analyse and define the process of Market Orientation adoption in the family owned SME environment. Also it demonstrates the limitations in extent of Market Orientation that may be possible in family owned SMEs in the last two columns of this table.

Family Owned SME	Stages of family owned SMEs towards Market Orientation				Market Oriented family owned SME	Market Oriented organisation
Based on Stages of SME and interpretation of marketing in each stage	Initial Marketing Existence	Reactive Selling Survival	Tinkering DIY Success	Professional Integrated Proactive Take Off	Resource Mature	
Based on family owners' competencies influence & willingness to change	Entrepreneurial	Family Custodial	Parental	Managerial	Market Oriented	
Based on Management Style & planning structure	Entrepreneurial to look after itself marketing to Organisational marketing Tactical focus to Low cost functional focus in to Strategic Company wide focus as a philosophy Non Marketing to Implicit Marketing to Sophisticated Marketing					
<b>Company Culture</b>	Flexible Culture to allow new innovations and evolve. Dominated by aim for rapid expansion. Perception of marketing as a costly investment not suitable for entrepreneurial start-ups.	Family oriented laid back Culture focused on family needs. Subcultures and attitudes characterised by negative impression about marketing as suitable for only large businesses with time and money	Family oriented culture focused on family values and obedience rather than market responsiveness due to limited employee empowerment to implement comparatively small changes	Professional culture fostered along with family ownership to improve profitability, customer focus. Marketing function leading the initiatives with support from management	Cohesive culture balancing between market responsiveness through planned development while retaining creative flexibility and entrepreneurial energy and family needs	Corporate culture which encourages behaviour aimed at gathering, disseminating and responding to information on customers, competitors and wider environment in ways that add value for shareholders, customers and stakeholders
<b>Owner Management Attitudes for developing Market Orientation</b>	Owners/Managers have a craft or production background which can lead to a initial lack of customer focus and greater product innovation focus -Take risks to expand -Independent decisions made responding to current sales opportunities in a chaotic way according to personal and business priorities	Owners rely on tried and trusted managers to run the business and develop life interests such as sports, cultural activities, community investment. -Conservative practices to maintain business, do not aim to grow, risk averse - Decision making based on compromise to satisfy owner and senior management	Owners think their own business situation is unique for general Market Orientation principles to be applied to them and -prefer to test marketing for themselves slowly avoiding bigger risks -Owners seem to retain unilateral control of decision making appearing as independent to enforce authority and legitimacy	Owner/Manager develops competencies such as vision, leadership, motivation, support, judgement to keep track of operational issues e.g. financial control, customer enquiries, recruitment etc. and business direction -Decision making is coordinated and planned with other department heads to focus on customers	Owner/Manager leads the Market Orientation and gets buy in from staff based on loyalty and personal intimate relationships along with empowerment to achieve company wide responsiveness by implementing well planned strategies with calculated and minimum personal risk -Decision making influenced by owner's objectives that are customer focussed and jointly taken to overcome constraints of small family firm limitations	CEOs strong commitment, supportive reaction to failure, willingness to change, take calculated risk, change, trust, authorise, delegate, foster team spirit - Decision making in planned well coordinated to meet business objectives, expectations of shareholders and stakeholders - Risk levels determined by market conditions

Family Owned SME					Market Oriented family owned SME	Market Oriented organisation
<b>Staff Attitudes</b>	The few staff employed are generalists assisting owner in day to day fire fighting. They expect to be rewarded for loyalty. Staffs do not use their specific skills most efficiently and effectively. They are motivated to follow the owner but do not carry this to Market Orientation which is distrusted	Staffs experience little growth due to poor managers and owners or due to their incompetence. Low pay and no ambition to change characterise their attitudes. They expect job security. The hierarchical relationships with management and authoritative environment leads to lack of real support for Market Orientation	Limited staff empowerment and control is still tightly exercised by owner/manager through informal practices and control of information. Staffs are not accustomed to freedom of action and not trusting of big systemic changes if introduced. Staff have some authority but not enough direction and are ineffective due to inconsistent messaging from management	Staffs expect to be rewarded for performance. They are receptive to change and supportive of a capable owner/manager who has earned their respect through work and not seeking legitimacy based on acquired inheritances. Staff may not support outsiders who have not won over their trust and respect	Staffs see their personal incentives aligned with the goals of the business and also participate fully in the change process due to the personal and intimate relationships with owner/managers. Staff are motivated by a balance between informal secure environment along with encouragement and reward for initiative and performance and team work to support the owner/manager is essential	Staff attitudes characterised by team spirit, ambition, support for change and commitment to achieve company wide market orientation. External specialists are accepted and respected and may drive the Market Orientation at their own levels.
<b>Marketing Behaviour including</b>	Instinctive sales and marketing as owner learns about marketing.	Traditional practices followed regardless of operational efficiency.	Opportunistic marketing gives some growth to long established firms. Misconceive marketing as 4Ps.	Marketing function and dedicated resources seen by owner/mgr as vital for long terms sustainable success	Market Orientation is not limited to the marketing department, it is company wide but still led by Marketing Champions including owners.	Involves the concepts of interactive processes, strategic directives and complete company wide buy in for MO as a philosophy
<b>Customer Focus</b>	Focused on sales and short term relationships but not customer targeting or customer satisfaction.	Customers known to owners personally and marketing only through word of mouth based on price, product, delivery	Attempts to increase sales are spasmodic and spontaneous through advertising brochures, sponsorships etc.	Targeting customers and marketing to ensure customer satisfaction.	Focussed on current and future needs of customers and choose customer segments aligned with family firm and owner/manager's strengths e.g. technical skills	Focussed on customers current and future needs and customer segmenting and targeting done formally to assist company planning and strategy based on company strengths and market conditions
<b>Competitor Focus</b>	Lack of resources to focus on competition to a great extent and resulting lack of action with respect to competitor focus	Not aware or interested in actions of the competition. Internal focus.	Some uncoordinated awareness regarding competition may not translate into successful strategies to combat it	Competitor focus to maintain business position in the market	May have low market share and may be necessary to choose specific competitors to focus upon with limited resources	Short term strengths and weaknesses and long term capabilities and strategies of current and potential competition

Family Owned SME	<p style="text-align: center;">————— <b>Stages of family owned SMEs towards Market Orientation</b> —————→</p>				Market Oriented family owned SME	Market Oriented organisation
<b>Market Intelligence</b>	Do not spend resources on market intelligence collection due to time and resource constraints and information obtained and disseminated informally to few people	Simple processes in place to measure sales but lack of focus on metrics and intelligence leading to market intelligence data not being seriously collected on considered	Info systems report mainly sales, profits, list of costs and revenues and not really on comparative customer satisfaction levels, customer complaints, regulations etc. Owner/Manager collects some information using personal contact networks but it may not be shared or used much	Have robust information systems in place for market intelligence collection and dissemination and including comparative customer analysis. It is the responsibility of the marketing function	Lesser need for formal procedures due to fewer customers, products etc. Identify target customers and market opportunities using low cost marketing methods. Involve staff, sales force to collect market intelligence to ensure buy in for the determined company wide response.	Market Intelligence collected formally through company wide focus and disseminated across the company using appropriate means of communication and interaction. Resulting in formal, rational, comprehensive and interactive planned response.
<b>Planning</b>	Business decisions based on rapid changes and aimed rapid expansion attempted without significant business planning	Focused on traditional core business and avoid change or risk. Instead follow conservative business practices	Emphasis placed on marketing plan to achieve the 4Ps of product, price, promotion, placement.	Strategic marketing directed towards business plans which take into consideration both customers and owners	succession planning also done to transmit objectives and values along with managerial and technical skills (Morris et al 1996)	Collaborate with relevant company functions to create business plans and ensure common and consistent execution
<b>Inter-functional Coordination Communication</b>	Underdeveloped communication and control along with low bureaucracy, limited delegation, clear hierarchy and informal ways	Lethargic and lack of communication to explore and share new intelligence or informal coordination based on personal relationships	Informal communication and coordination based on personal relationships developed over long years of service	Functional meetings to analyse customer needs and to analyse feedback from buying influences in coordination & then acting together. (Piercy 95) Two way communication	Build up company wide relationships through regular well attended well organised sports leagues, mixed teams, newsletters etc. (Kohli and Jaworski 1990), leverage this for ensuring inter-functional coordination, communication	Strong commitment by mgmt to share info interdepartmentally & practice open decision making between functional & divisional personnel, lateral interdepartmental coordination
<b>Info Systems</b>	Owner exercising strict control and secrecy to retain control. Regular intervention of the owner in day to day decisions rather than delegating after sharing relevant information	Systems and processes not necessarily in place. Secretive and limited communication, informal atmosphere, close inter-employee relationships	Systems disseminate information to the wrong people at the wrong time or distribute intelligence in such as way as to confuse recipients so much that they ignore it	Information systems created to provide information for the Marketing Function to assimilate and share with management for planning and to share with rest of the staff	Information systems must be user friendly and suitable for company culture so that every department inputs information and is able to accept plans based on the intelligence and then implement them.	Well developed and possibly complex information systems used by well trained staff to collect intelligence and disseminate it and also to ensure company wide response and measure results regularly for continuous improvement

Family Owned SME					Market Oriented family owned SME	Market Oriented organisation
<p><b>Rewards &amp; Recruitment Training</b></p>	<p>Staffs are generalists and work with little rewards in anticipation of future rewards for their loyalty. They are recruited to support the owner more than for own initiative or skills. Family members favoured for reward and recruitment</p>	<p>Roles are not clearly demarcated or communicated. Little growth and little new recruitment. Job may be stable but without additional perks or rewards. Family members continue to be recruited, rewarded and promoted</p>	<p>Attempts by owner/manager to balance the rewards for performance with a sense of social responsibility and reward for loyalty</p>	<p>Appropriate recruitment procedures as well as training processes essential to encourage employees to understand customer values and foster positive attitudes towards customers</p>	<p>Staff recruitment and reward based on competency, merit and ability to integrate with the family firm. Training for Market Orientation suitable to the firm and personal development. Reward performance connected with work output i.e. sales, volumes commission etc. and extra role performance such as loyalty, participation, helping behaviour, sportsmanship. (Shapiro 1988)</p>	<p>Reward and recruit staff based on capability, merit and specialist skills rather than personal relationships. Teamwork and personal initiative and other in role performance measures considered alongside sales. Training to stimulate Market Orientation</p>
<p><b>Management structure</b></p>	<p>Tendency to avoid problems associated with development of complex management structures. Underdeveloped control systems.</p>	<p>Basic structures are working smoothly but there is little growth externally and internally little improvement to the company systems and structures</p>	<p>Initial attempts by owner/management to structure based on clear role identification and company needs along with customer focus</p>	<p>Formalization and centralization enhances concerted responsiveness but may inhibit flexible quick informal intelligence generation on the ground</p>	<p>Relatively simple but effective organisational structures to ensure inter-functional coordination retaining the management style of the owner who does not have to depend on external sources of capital</p>	<p>Set up efficient complex organisational structures focussed on long term customer focus and profitability to reward staff based on merit rather than personal relationships</p>

**Table 6.1 - Framework for analysing nature and development of Market Orientation in family owned SMEs**

A timeline in Figure 6.1 below describing the key events throughout the period of study is provided in order to demonstrate the change in the levels of Market Orientation over time along with highlighting the causes and means influencing the nature of Market Orientation in this case study. This successful practical application in a qualitative study fills a gap as such rigorous testing of theories in family owned SMEs had previously been found missing (Siu and Kirby 1998, Becherer et al. 2001) thus contributing to further development of conceptual theories for applying Market Orientation concepts in the family owned SME environment.

The in-depth analysis and exploration of the nature of Market Orientation in family owned SME units of the case study enabled the Researcher to highlight the following key emergent themes that are developed further:

- Firstly the role of external consultancy and internal champions in responding to the influence and management style of the SME's family owner to enable Market Orientation adoption was found to be important and helpful.
- Secondly recognition that the family culture with an inherent reluctance to change (being predominantly dependent on the owners) could be managed using opportunities provided during succession to develop a suitable implementation process for Market Orientation but could not be totally overcome or sidelined.
- Thirdly the modification of the implementation process and importance of internal marketing within the SME environment to overcome the negative perception of Market Orientation and tendency to dismiss it as an irrelevant theoretical concept.

These are described in detail in the next section of inferences and scope for future work. It was inferred that the family culture could be aligned to a Market Oriented culture and this implementation could again be possible in stages so that businesses transformed initially from 'family first' to 'business first' organisations and then went on to adopt Market Orientation.

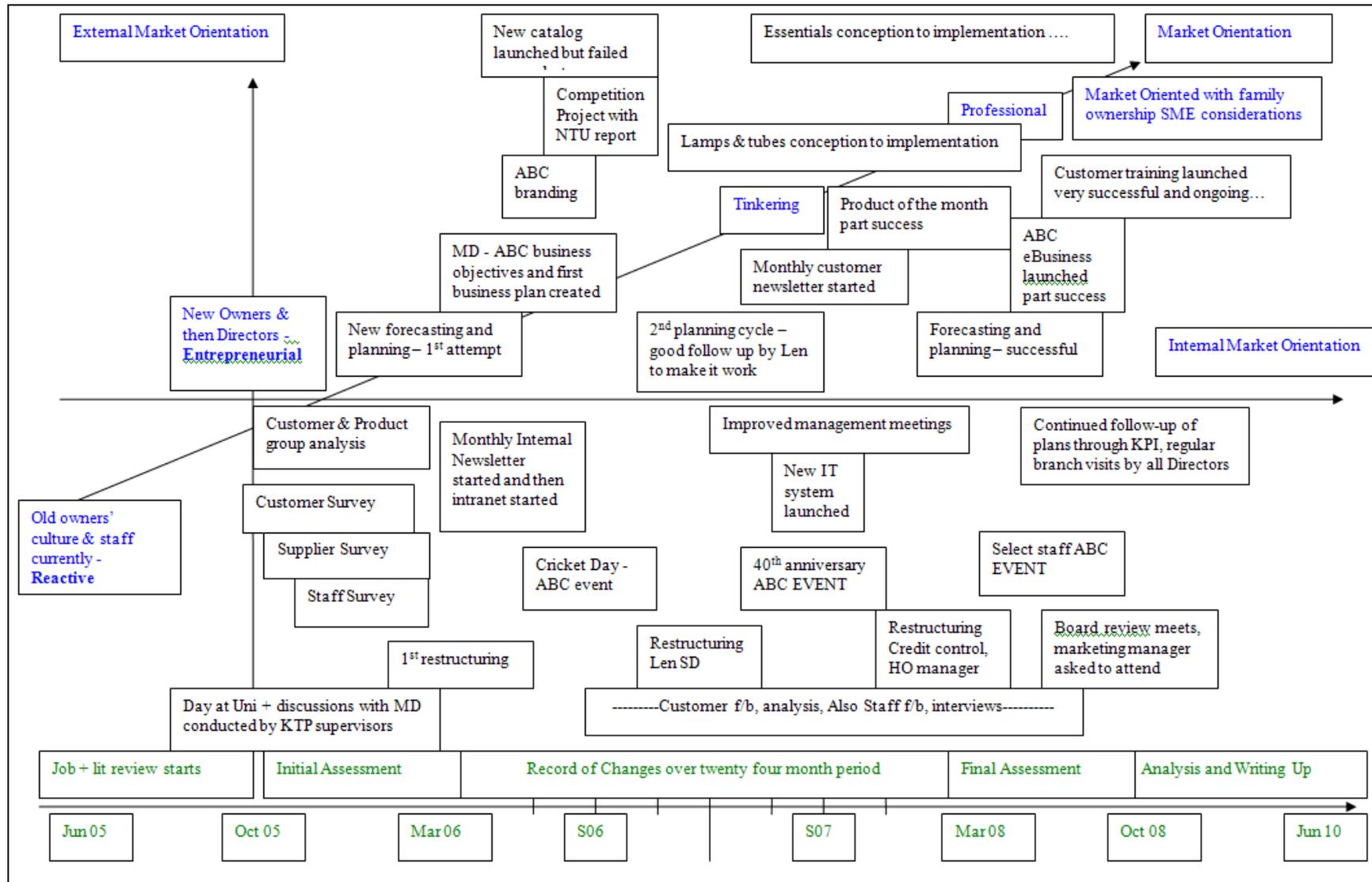


Figure 6.1 – Timeline of Key Events

## 6.3 Inferences and scope for future work

Beckhard and Dyer (1983) gave three possible strategies for family firms namely professionalizing the family, professionalizing non-family members or bringing in professional management. In this case study company it was concluded that the limited Market Orientation successfully adopted was a result of the choice of professionalizing internal non-family members at the senior most levels in Len, the new Sales Director along with restricted and middle management level input from external professional management with the Associate. This is discussed in section 6.3.1 below. The barriers to Market Orientation being fully adopted were attributed to the lack of professionalizing of the family thereby resulting in a lack of complete fundamental change to the culture: likely solutions to overcome this are discussed in section 6.3.2 Finally the remaining barrier to Market Orientation in the form of resistance from the rest of the small business organisation due to a negative perception and resolving that through internal marketing is covered below in section 6.3.3.

### 6.3.1 Dynamic between the Owner, External middle level Consultant, senior level Internal Manager to bring change

At ABC the initiatives undertaken to adopt Market Orientation helped to firstly transition the company into a business first organisation rather than family first. Ron who was the Owner and Managing Director chose to find a balance between family focus and Market Orientation in restructuring the senior management so that his younger brother Tom was superseded by the new Sales Director Len who was promoted internally but was not a member of the family. Len was sufficiently well integrated to be trusted and viewed as less of a threat for being an outsider. At the same time the MD hired and supported the Associate as an external person at middle management level to lead the marketing function whilst reporting to the MD and the Sales Director. This strategy of professionalizing with non family members was balanced with the need to retain a family orientation by promoting internally and ensuring loyalty. With his fifteen years of experience in the same industrial sector, Len was an insider to the business of ABC and spoke the same language that ABC staff understood. At the same time he was not reluctant to change the culture of ABC where needed and had a positive perception regarding the role of marketing in addition to his technical expertise required for the business. He supported initiatives for change although he did not succeed in adopting a complete change in philosophy from

Sales Orientation to Market Orientation. But he supported and also led the processes for incremental change, and his step by step approach helped to get support from the staff as well as playing a huge part in influencing the Directors and owners themselves. It was concluded that successful adoption of Market Orientation was heavily dependent upon internal champions such as Len who were placed within senior management and who had the authority, respect and people skills to get buy-in from the staff at lower levels. At the same time work done by the Associate as an external consultant employed with a limited contract in collaboration with university experts provided fresh ideas and impetus to influence senior management. Other joint projects for mystery shopping and competitor research undertaken in collaboration with the university provided further independent confirmation of new ideas and helped to make the case for proposed changes in the organisation.

It was concluded that Market Orientation adoption must be led by experienced, respected, senior and internal champions for a long time because attitudes take time to change. These champions must be in senior positions with authority to enforce change and respect to influence staff. Also they must be very close to the core business functions of any organisation to be taken seriously by Owners. External input would be required from perceived experts with specialist knowledge to support and sustain Market Orientation development and the advantage of employing an external middle level manager for a fixed period of time was to provide a drive and follow up to initiatives which could be lost by the senior management tackling day to day problems with limited resources. As suggested in the literature (Schein 1985, Goffee 1996) it was observed that the Managers in this family firm also adopted coping strategies to manage around peculiar traits of the owner and some along with Len pushed boundaries with incremental changes to force the owner himself to become somewhat more accountable and professional, thus enabling Market Orientation to develop.

The less positive aspects of choosing to rely on non family members relate to the possibility that owner-managers see the recruitment of external 'professional' managers (assuming they can attract them) as 'quick-fix' solutions to possibly deeper structural/cultural problems within the business as per Fletcher (2002, 2004). In small business there is the risk that 'renewal' and strategic change or reorientation is often seen as a managerial issue concerned with recruiting 'professional' managers to facilitate

organisational transformations. The likely barriers to Market Orientation however need to be viewed not just as a managerial but also a cultural issue in this context. As described below these subliminal cultural barriers were the likely reasons why only part Market Orientation was achieved in the case study company. These barriers are linked to the risk that in professionalizing non family members the owner-managers underestimate their own management influence or do not take account of the need for recurring innovation and development based on a cultural change after the implementation of one-off processes for Market Orientation development based on assistance from non family members as was highlighted in this study.

### 6.3.2 Family Culture, Succession and Change

The culture of a family owned business can be influenced through tangible measures such as through listing appropriate performance indicators, demonstrated change in responses to events or crises, formalised training and through criteria for rewards and recruitment. (Schein 1985). Additionally Schein listed secondary mechanisms of organisational structure, systems, procedures, infrastructure, informal communications and managed formal communication of values. Goffee (1996) concluded that such a framework for developing the required culture could help to achieve growth in a family firm without undermining the family focus. Exactly this was observed in Ronø's efforts to develop Market Orientation with the assistance of internal champions such as Len and some external input from the Associate. i.e. whilst the MD supported Len's initiative in setting up Market Oriented behaviours related to planning, measurement, delegation of authority as part of a strategic response to counter competition, he also used secondary mechanisms to retain control characteristic of the family's family orientation.

For instance the restructuring of senior management reflected the family oriented traits of promotion based on loyalty alongside merit in the case of the new Projects Director or the new Head Office manager. Despite greater enforced distinction between specific responsibilities of functions such as the commercial procurement department or the sales department, the MD often sought informal discussions with all directors regarding particular tactical decisions like choice of a supplier or purchase of customer data or publishing a PR article thus retaining some informality and flexibility in decision making. In management meetings he would sometimes override the Sales Director Len if any manager appealed to him directly in a familiar informal way. The organisational culture

was not only related to the direct and formal managerial actions undertaken by the owners/leaders but also deeper assumptions, beliefs and thoughts influenced indirectly by the owner and using the latter, Ron sought to maintain some characteristics of a family orientation along with developing Market Orientation. It was concluded that the Owner transitioned from being entrepreneurial to part managerial and Market Oriented and part paternal with reference to the framework of Figure 2.4 and Figure 2.5.

Succession planning whilst meant to ensure continuity in existing objectives, structures, and expectations could also be an opportunity to introduce Market Oriented behaviour within the family culture as there was likely to be slightly greater acceptance for change at this time. This was recommended also because the owners' influence upon the primary and secondary cultural mechanisms (Schein 1985) was the greatest and therefore the cultural change could be achieved by the new owner if he was Market Oriented at the time of assuming ownership. This is explained further with the example of Ron.

Ron had recently taken over as MD when the research began. It was observed that he was eager to make his mark on the company and some staff who were too reactive and stuck to old ways had to leave the company. Others understood that they would have to make adjustments to their cultural and behavioural traits in order to fit with the new management although they were reassured because the fundamental framework of the family atmosphere did not change. One staff member who successfully changed some processes and ways of working to accommodate new management ideas in return for a friendly family atmosphere reflected this saying, *“I do like family businesses. I have worked for big companies where you are just a number. It is not the same. It is nice here. Everybody knows everybody and I think that is what makes it what it is.”* Another mentioned about Ron and Len, *“They all started at the bottom. Whether they had to scrub the floors quite as hard as the others I don't know. It was always going to be that they end up at the top but they have looked after the stores. They have grown up with it. They have both worked for different companies as well. I think the culture change has made everything else change at ABC. They are a young board really when you think about it like that you can have a laugh with them. They will talk to you at your level.”* Thus it was inferred in this case study that appropriate succession planning would not only help to sustain a family business when the next generation takes over but could also be an excellent opportunity to develop Market Orientation in this transition period. Goffee

(1996) also touched upon this saying that some cultural assumptions are challenged in the process of growth and this may be one of the constructive functions of the succession process. In succession planning the founder could focus not only upon training their next of kin in terms of the specific skills and tricks of the business but also in providing professional marketing and change management training that would help in successfully introducing Market Orientation as a philosophy.

Apart from this it was found that external professional training had only a limited impact in altering the mindset of the owners/Directors at ABC. This was attempted through one away day at the university where the owners were encouraged to evaluate their current company objectives and strategies. This session was attended by the Researcher but mainly led by the university consultant. Also private coaching by university consultants was provided to the owners over a couple of sessions that the Researcher had very little involvement with or access to. Internal incremental change through demonstrated successes within the company had slightly more impact in changing the mindset over time. Ultimately it was concluded that the owners' influence upon partial transformation of the organisational culture defined the extent to which Market Orientation development was possible and suitable in the family firm. As described by Allio (2004) and Trompenaars (1993) there were advantages within family orientation that could favour Market Orientation such as reciprocal friendly relationships and inbuilt discipline and loyalty obliging staff members to be more cohesive and coordinated to counteract the disadvantages and the lack of complete transformation. These advantages are further emphasised in focussing upon the role of internal marketing for Market Orientation as described below.

### 6.3.3 Importance of Internal Marketing in SMEs

It was concluded that certain elements of family orientation may be retained in the organisation even as it aims to develop Market Orientation in family owned SMEs. Therefore leveraging family characteristics to promote rather than oppose Market Orientation was an important part of the process which could be achieved through appropriate internal marketing. Also lack of acceptance for jargon or theoretical concepts (Scott et al. 1996) meant that the role of internal marketing was greater to first promote Market Orientation as suitable and then enable its implementation

At ABC internal marketing was carried out through formal and informal communication, internal events, staff training sessions and internal competitions. Many Business Managers

recognised their value. This was exemplified by one saying *“Yeah they need to get together for drinks, meal, and company presentation. It is quite important to build a relationship. I mean my guys they are not seeing those people from other branches, they talk on a personal level but branches don’t talk about offers.”* Another said *“It motivates if you have branch of the month not just for sales figures but if someone comes up with an idea that they get a mention in the newsletter, a bottle of bubbly. I think it will make people come forward a bit with ideas, with new plans”*

Also staff mentioned appreciation regarding the survey exercise when the feedback from the staff was collected, presented to the MD, next steps agreed with the MD were communicated back and timely action was taken accordingly. Annual events like the cricket day or the ABC ball sponsored by the owners were effective in improving relationships among staff from the different business units and bringing employees closer to senior management. This and other internal marketing helped to bridge the distrust between branches and Head office also; for example the MD’s Personal Assistant who was at the Head office said about her changed opinion about branch staff members, *“I think they are brilliant. They are a lot better than the older ones. The old ones used to be, I used to get the impression they were frightened of the head office. And they didn’t used to speak as much to me because “Oh no she works for Ron” you know that attitude. But now everyone is friendly and now they talk to you. He is coming out a lot Ron – Head Office used to be a secret but it is not like that”*

The success of internal marketing meant that staff opened up to the ideas brought forward by the marketing function also. However the marketing function continued to be viewed as more suitable for tactical assistance than strategic planning by staff at branches although the senior management attributed a much larger role to marketing. Thus it was felt that the focus upon the importance of internal marketing is a relevant subject for greater research in the future as emphasised also by Moller and Anttila (1987) to obtain support for the role and relevance of marketing. This was also reinforced in the framework described by Piercy and Morgan (1991), This framework states that internal marketing goals are set directly from the implementation requirements of the external programme and it entails gaining support of key decision makers, acquiring resources, gaining staff commitment and giving ownership of specific tasks to specific units or individuals. Further Piercy and Morgan (1991) advocated internal marketing to manage incremental change in the culture from the

‘way we do things’ to the ‘way we need to do things’ and recommend internal marketing as a suitable jargon to deal with culture, organisational power and politics. Thus it was recognised that internal marketing was an essential component in Market Orientation implementation and studying the concept of internal marketing would be an important step in any attempt to achieve Market Orientation adoption.

### 6.3.4 Scope for future work

In recent years there has been growing interest in the study of implementation of Market Orientation. Raaij and Stoelhorst (2007), Harris (2002a) suggested a lack of sufficient literature in the area of ‘developing Market Orientation’. They described stages of diagnosis (how to assess a firm’s Market Orientation), intervention (how to improve Market Orientation) and evaluation (how to evaluate the effect of the implementation effort) within the process of ‘developing Market Orientation’. The Researcher independently followed a similar approach in this thesis. The work of Hooley et al (1990), Kohli et al (1993), Narver and Slater (1990) was verified as relevant in the initial assessment and final evaluation. In addition the framework developed by the Researcher with integration with SME stages model and influence of family ownership depicted in table 6.1 provided a more linked in-depth model for diagnosing the nature and evaluating the extent of Market Orientation in family owned SMEs before and after intervention.

In terms of determining the intervention strategies likely to succeed for developing Market Orientation in family owned SMEs the following enablers and barriers were identified, as depicted in the framework of Fig 6.1, and practically verified in this research:

É Strong influence of the Owner’s leadership, competencies, motivation, belief, attitude and objectives leading to greater focus on personal relationships with the owner

É Management Style of the Owner/Managers in terms of decision making, planning, delegation, communication and implementation that was currently more patriarchal, informal, unstructured, spontaneous and reactive and resulting formal and informal organisational systems that were put in place.

É Different impressions, expectations, understanding of Market Orientation and its role in the business whether central or peripheral, its importance due to the smaller size and scope of operations of the business.

ÉReluctance to change across the organisation as the Owner prioritised retaining authority of the family and a family focus over Market Orientation even though he recognized its importance due to increasing growth.

In conclusion the central themes of internal marketing, succession planning along with use of external consultancy and internal champions were highlighted as important to manage the impact of the above listed factors and to thus reconcile family ownership in SMEs with Market Orientation.

In future work, these conclusions regarding evaluation and intervention could be further developed with the help of more varied data perhaps in a different geographical setting or within varied industry sectors.

The inferences of this study could also be classified and compared with more recent literature available regarding implementation of Market Orientation such as Raaij and Stoelhorst (2007), Harris (2002), Kennedy et al (2003), Gebhardt et al (2006). Following on from this, it would be also valuable to further develop the relationships and association of Market Orientation with related management concepts such as human resource practices, organizational learning, change management, innovation and entrepreneurship also within the context of family owned SMEs.

Some evidence was provided anecdotally in this study regarding the improvement in performance and its correlation to development of Market Orientation. This coincides with findings of majority of researchers but has not been sufficiently tested and validated in the context of family owned SMEs. This could be another important area for further research.

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# Appendix A

## A.1 Time Line of Key Events

## TIMELINE OF EVENTS

### October 2005:

- Customer and Product Data Analysis
- Customer Surveys, promotions like kewtech demonstrating lack of coordination between the Directors (Tom and Jim in this case)
- Original organisation chart provided, One team new structure was proposed at this time but it was not implemented it was just introduced as an idea.

### Q3 2005:

- Management Meeting attended and survey results shared (customer) also screened video about -what is marketingø as Directors agreed this would be useful for attendees.

### November 2005:

- Supplier Surveys

### December 2005:

- Assistance with Christmas promotions ó free mini bikes for special customers
- New process of budgeting and forecasting attempted by involving the financial controller and the associate. New ideas in this such as focus on customer segments and product groups. But very poor branch response and failed due to lack of follow up by authoritative management figures

### January/February 2006:

- eBay page for ABC created to sell old stock (poor response from branches)
- Staff Surveys and sharing with Directors and response
- The MD distributed the new organisation chart in Jan 2006 reflecting the inclusion of the marketing function. Marketing was not linked to Sales but reporting to the Commercial Director.

February 2006:

- Management Meeting - Survey results shared

March 2006:

- Monthly internal newsletter started
- The MD and Directors attended an away day along with the Associate at NTU hosted by KTP supervisors meant to encourage discussion of strategy. Reluctantly the Directors documented company objectives and the company business plan.

April 2006 to June 2006:

- Branding project including new customer segments, corporate values (June 2007 to Sep 2007: more marketing of the new ABC values and branding in line with ERF 40<sup>th</sup> anniversary celebrations)
- Management Meeting in April 2006 - brand values shared by MD (Associate not attending) , also company objectives provided to associate and business plan shared

May 2006:

- Intranet for ABC (tools to build internal communication)

June 2006:

- ABC cricket day ó successful company event
- Till Sep 2006: NTU consultants assisted in project focussing on competitors through mystery shopping. Results shared with Directors and had a strong impact

(Some of these results were used in creation of a new priced catalog that was launched in this period called essentials catalog ó this was unsuccessful in distribution, branch response and customer response to an extent due to poor design. But the concept and the information it gave to Directors regarding missed opportunities and customer demands based on products included in the new catalogue was quite useful to launch the successful essentials

campaign a year later. The voucher campaign to target dormant accounts using this literature in Q3 2006 failed again due to very poor branch response)

October 2006:

- Management Meeting with discussion about competitor results.

Q3 and Q4 2006:

- Associate also invited by branches to assist with some local promotions in terms of flyers, distribution such as offer on fans, sockets and switches etc. Also assistance provided for advertising in local papers or magazines and local branding including signage, posters i.e. tactical assistance requested by branches as a reaction to the branding project. Directors looked to Associate for support in expansion whilst maintaining corporate identity which demonstrated a slightly greater impact of the branding exercise on management.

December 2006/February 2007:

- MD promoted the new structure to reflect the expansion of the company that had occurred in Q3 and Q4 of 2006 including branches at Newark, Farnborough and Bulford. Also Len was appointed Sales Director.
- New planning and forecasting cycle with Len involved in the process, the format changed slightly but incorporated the ideas from the previous attempt and in the next months Len vigorously followed up on this plan to ensure that the branch managers and staff understand the planning process and participate in this

February 2007:

- Management Meeting: Len sent an agenda asking for much greater two way communication. (No meeting in summer due to ABC event)
- Also MD started Departmental review meetings

March 2007:

- Monthly customer newsletter launched and proved to be quite successful as a tool to inform customers about the latest offers and encourage branches to incorporate success stories in their own businesses.
- March 2007 to late 2007 New fixings business launched at Cannock with support from head office members but this failed to take off and they had to wind it down after about eighteen months. Some of the stock and ideas were transferred to Leicester branch where it fared much better.
- The focus on lamps and tubes grew starting with an internal training programme to improve product knowledge in conjunction with OSRAM. (this continued till the end of the year along with greater focus on improving stock of the company and in 2008 the lamps and tubes catalogue was distributed aggressively using a campaign developed by a cross functional team including some Directors, the marketing manager and some branch managers) A business link grant also helped in this project.

#### July 2007:

- The ABC 40<sup>th</sup> anniversary company event was celebrated. The staff, suppliers and customers invited were positively influenced by this. (The MD strengthened his position with support from his father in a speech at this event where Ron was given more appreciation in comparison to Tom.) As mentioned above this was another chance to focus the spotlight on company values and branding. A company presentation was created and a move towards standardisation and professionalism was observed

#### September 2007:

- Management Meeting AND departmental review meeting also

#### All 2007:

- Marketing campaigns became somewhat more regularised not adhoc, a fixed structure and look and feel to the campaign which was aligned across the company and which had been somewhat successful - Breakfast mornings, loyalty cards, recommend a friend. (Product of the month was launched from Q2 2007

and carried on in 2008 also. This was partially successful. It succeeded in aligning the branches and highlighting some excellent product offers from a head office point of view but the participation of branches remained very reactive not proactive and in some months the results of sales were not what they could have been.)

December 2008/January 2008:

- The next cycle of forecasting and planning was launched and continuous follow through meant that branches bought into this planning process totally. Directors regularly visited businesses to discuss strategies based on plans and forecasts. Measurement criteria widened from purely sales figures to other measures.

February 2008:

- Management Meeting (in period between two management meetings Len organised sales rep meetings and visited branches to ensure there was no gap in communication)

All 2008:

- Specialised projects with partner branches like the Loughborough college campaign
- Customer training programme to acquire new customers and build loyalty at excellent win win solution, energy efficiency programme planned to be launched with marketing in the lead and branches support.
- From Q1 2008 onwards cross functional team for lamps and tubes formed and every month all ABC businesses ran promotions or targeted specific new customer segments to promote these products. It also helped to focus on energy efficient products within the company and from the second half of the year this generated a pioneering innovative product line for ABC.
- The Essentials project also started again in Q4 2007/Jan 2008 gained tremendous momentum under the leadership of Len. The entire campaign is described in the

report. This was conducted in Q1 2008 and then continued throughout the year and beyond.

Q1 2008:

- Restructuring of the head office. The MD paid personal attention in renewing the credit control department of the company and ensured much better coordination with invoicing processes of individual businesses to improve the cash flow of the company and reduce customer complaints related to the invoicing process. Also the new head office manager was appointed.

April 2008 to October 2008:

- Management Meeting explaining head office restructuring
- August 2008 the new eCommerce website was launched which provided ABC with a new route to market. Very positive feedback was received for this from the Directors, the staff, some customers and suppliers. Initially this took off as another successful venture. However the necessary maintenance and innovation to build the online business was not achieved. This was delegated to Derby branch and achieved only partial success in terms of branch support.
- July 2008: Management Meeting announcing online business launch

Thus Management Meetings became more regular to ensure sufficient and timely flow of information. Also Cross functional meetings and board meetings became a regular feature. Marketing was invited to the meeting in October 2008 along with all other department heads.