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A note on the relationships between learning, market, and entrepreneurial orientations in family and nonfamily firms

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ABSTRACT

Despite evidence pointing to differences between family and nonfamily firms regarding entrepreneurial orientation (EO), market orientation (MO), and learning orientation (LO), little is known of the relationships between these variables in the family business context. Drawing on the resource-based view (RBV) and a sample of 509 Spanish small and medium enterprises (SMEs), our results suggest that the family business context promotes the LO-EO link, which helps explain why some firms are more entrepreneurially oriented than other firms.

1. Introduction

The entrepreneurial orientation(EO) construct, which refers to a firm's strategic orientation that captures specific entrepreneurial aspects of decision-making styles, methods, and practices (Lumpkin & Dess, 1996), has attracted increasing scholarly attention and has become one of the more important constructs in the study of corporate entrepreneurship and management (Wales, Gupta, & Mousa, 2013; Wales, 2016; Wiklund & Shepherd, 2011). Different meta-analyses have confirmed the positive effect of EO on firm performance (Rauch, Wiklund, Lumpkin, & Frese, 2009; Rosenbusch, Rauch, & Bausch, 2013), emphasizing the need for firms to promote EO to face challenging and volatile environments and achieve success (Wang, 2008). Because research on the antecedents of EO remains underdeveloped, more research is needed (Wales et al., 2013; Wales, 2016; Wiklund & Shepherd, 2011). The literature also suggests that firms may employ multiple strategic orientations (namely, EO, learning orientation [LO], and market orientation [MO]) and that these orientations may affect each other (Cadogan, 2012; Lonial & Carter, 2015). Thus, LO, defined as a set of organizational values that indicate the propensity of firms to create and use knowledge (Hanvanich, Sivakumar, & Hult, 2006), has been found as leading to enhanced EO (Garvin, 1993; Han, Hansen, Panwar, Hamner, & Orozco, 2013). Similarly, MO, defined as "the set of cross functional processes and activities directed at creating and satisfying customers through continuous needs-assessments" (Deshpandé & Farley, 1998, p.226), has been found to boost EO (Hills & LaForge, 1992; Liu, Luo, & Shi, 2003).

Different organizational contexts, however, may prompt different manifestations of EO (Covin & Slevin, 1990; Wales, Monsen, & McKelvie, 2011). The literature reveals that family firms constitute a particularly suitable context for EO studies (Nordqvist & Melin, 2010) due to their uniqueness (Habbershon & Williams, 1999) and that family involvement affects the way resources and strategies are utilized (Arregle, Hitt, Sirmon, & Very, 2007; Chrisman, Chua, & Kellermanns, 2009). To our knowledge, although research is lacking on how the family firm context affects the relationships between LO/MO and EO, the family business context has been found to moderate the relationships between antecedents and EO (e.g., Boling, Pieper, & Covin, 2016). Accordingly, we propose that the family firm context will also moderate the relationship between different strategic orientations and EO, which forms our research question: Does the family nature of a business influence the effects of LO and MO on a firm's EO?

Drawing on the resource-based view (RBV) (Barney, 1991), we hypothesize that a company's family character will strengthen the association between LO and EO because "family learning mechanisms equip the firm with a specific capability to perceive opportunities and (…) to take advantage of opportunities" (Barros, Hernangómez, & Martin-Cruz, 2016). Similarly, we expect that the MO–EO link will be enhanced in family firms, since strong relationships that family firms establish with their stakeholders generate rich social interaction

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(Dibrell, Bettinelli, & Randerson, 2017; Sciascia, Clinton, Nason, James, & Rivera-Algarin, 2013). To test our hypotheses, we conducted a survey-based study of top managers in a sample of 509 Spanish small and medium enterprises (SMEs) and performed a multiple regression analysis.

Our findings contribute to the literature in multiple ways. First, to the best of our knowledge, this is the only study that comprehensively considers the influence of the family character of the business on the LO/MO-EO link, confirming the influence of organizational context on the relationships between strategic orientations (Covin & Slevin, 1990; Wales et al., 2011). Hence, we make an important theoretical contribution by responding to the call for clarifying why certain companies are entrepreneurial and others are not (Wales et al., 2013) and showing that the process by which LO, MO, and EO operate is more complex than a simple link between an individual construct and firm performance (Lonial & Carter, 2015). Second, LO and MO serve as antecedents of EO, a relationship that is moderated by family firm status. This has important implications for how strategic orientations are utilized in organizations, highlighting the potential for the distinctiveness (i.e., familiness) of family firms (Frank, Kessler, Rusch, Suess-Reyes, & Weismeier-Sammer, 2017; Habbershon, Williams, & MacMillan, 2003). Third, we are one of the first studies to investigate LO in the family firm realm by showing that family business status promotes the positive influence of LO on EO. Therefore, family business managers should embrace the family firm's uniqueness as a way to enhance the organization's EO.

2. Theory and hypotheses

2.1. Entrepreneurial orientation and family business

As a driving force behind the organizational pursuit of entrepreneurial activities, the concept of EO is rooted in Mintzberg (1973) Mintzberg's (1973) theorizing of an entrepreneurial strategy-making mode as a managerial disposition marked by the active search for new opportunities in uncertain environments through which dramatic growth might be realized. It is generally accepted, however, that the concept of EO was originally proposed by Miller (1983), who defined an entrepreneurial firm as "one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (p. 771). Since then, EO has been the subject of more than 30 years of theoretical and empirical inquiry (Rauch et al., 2009; Wales, 2016) clearly revealing that EO is a key ingredient for business success (Wang, 2008) and for superior performance (Rauch et al., 2009), both in family and nonfamily firms (Campbell & Park, 2016). Because there is little understanding of the antecedents of EO (Wales et al., 2013; Wales, 2016), we focus on EO as a dependent variable to further study this part of the EO nomological network. Furthermore, considering that different business contexts may prompt different manifestations of EO (Covin & Slevin, 1990; Wales et al., 2011) and that the special characteristics that family businesses embody, such as the desire for ownership control and maintaining continuity of family involvement, may have a considerable impact on EO (Cruz & Nordqvist, 2012; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Short, Payne, Brigham, Lumpkin, & Broberg, 2009), we focus on analyzing how the unique context of family firms impacts the relationships between LO/MO and EO.

The literature has generated ambiguous findings about whether the family context encourages or restricts a firm's EO. While some scholars have found that EO is enhanced in family firms (Zahra, Hayton, & Salvato, 2004), others report a negative effect (e.g., Naldi et al., 2007). Arguably, neither of these perspectives is complete, since enterprises may simultaneously employ multiple strategic orientations that may affect each other (Cadogan, 2012; Lonial & Carter, 2015; Wang, 2008). Thus, studying any orientation in isolation ignores the complexities involved in the strategic management of the business and the interrelations of different strategic orientations. To fill this research gap, we propose that the interaction between LO and family firm status and between MO and family firm status may affect a firm's EO. Fig. 1 provides the conceptual framework of our model.

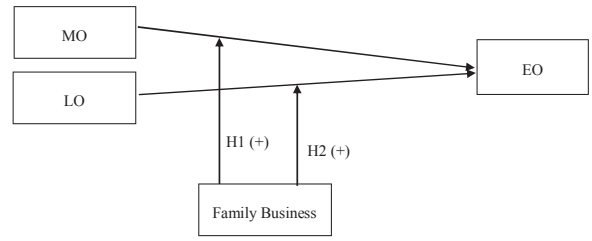

Fig. 1. Model and hypothesis.

2.2. Family business, learning orientation, and entrepreneurial orientation

In the current economy, knowledge is viewed as an important contributor to organizational outputs (Rowley, 2000); consequently, learning is perceived as critical for a firm's growth and survival (Kungwansupaphan & Siengthai, 2014). The concept of LO, considered as broad (Slater & Narver, 1995), somewhat subjective, and related to many learning aspects (Kungwansupaphan & Siengthai, 2014), basically comprises a set of cultural values that affect the propensity of the firm to create and use knowledge, influencing the degree to which proactive learning occurs (Hult, Hurley, & Knight, 2004; Sinkula, Baker, & Noordewier, 1997). As a result, a firm's LO reflects the value placed on constantly challenging the assumptions that frame the firm's relationship with its environment, customers, and competitors (Martinette & Obenchain-Leeson, 2012). Consequently, a learning-oriented firm has the capacity to promote change and adaptation, since organizations adapt only as fast as they learn (Lam, Lee, Ooi, & Lin, 2011; Mavondo, Chimhanzi, & Stewart, 2005). Organizational learning practices seem to enhance opportunity recognition (Lumpkin & Lichtenstein, 2005), discovery, and creation (Zahra, 2008). To be an entrepreneurial firm, organizations need to scan their external environment proactively, a process of exploration that requires a capability to learn (Rhee, Park, & Lee, 2010) because access to knowledge is key for recognizing, pursuing, and taking advantage of entrepreneurial opportunities (Dushnitsky & Lenox, 2006; Randolph, Li, & Daspit, 2017; Simsek & Heavey, 2011). Indeed, high levels of LO have been found to lead to innovation (Choi, 2014) and enhanced EO (e.g., Deutscher, Zapkau, Schwens, Baum, & Kabst, 2016).

We consider, however, that the unique configuration of resources and capabilities of family firms (Habbershon & Williams, 1999; Habbershon et al., 2003; Sirmon & Hitt, 2003) may have a dual influence on the way firms acquire knowledge and utilize it in entrepreneurial efforts. We first present a potential negative moderating effect of the family firm context on the relationship between LO and EO and then discuss positive arguments, which ultimately lead to our hypothesis.

On the one hand, considering that knowledge is obtained from a variety of sources (Randolph et al., 2017), the familial influence on a firm's knowledge network can result in restricted resources owing to limited, proximal knowledge resources possessed by family members (Chirico & Salvato, 2008). In addition, given that family firms tend to have overlapping external structural ties and that trust and frequent interaction among family members lead to similar perspectives, the breadth of knowledge available to family firms is limited, limiting the extent to which the firm may pursue the changes necessary for effective strategic renewal (Bhagavatula, Elfring, van Tilburg, & van de Bunt, 2010; Randolph et al., 2017). Similarly, the deficit in managerial capabilities in family firms and potentially less heterogeneous knowledge base (Sirmon & Hitt, 2003) may constitute a barrier to developing new

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