Abundant Marketing Resources Can Hinder Family Firm Innovation

Qilin Hu (Loughborough University)
Mat Hughes (Loughborough University)
Paul Hughes

KEYWORDS: Manufacturing, Innovation, Marketing, Family Business, Disruptive Innovation, Branding, social capital.

Most people would agree that businesses benefit from three core marketing resources: strong market knowledge, great relationships with customers and suppliers, and a sterling public image, brand, and reputation. These resources can help businesses pursue opportunities and have more strategic options. However, a study we conducted of 290 family businesses in China concluding in 2019 revealed that having too many marketing resources like these had a surprising drawback: it discouraged families from innovating.

One would think that having lots of marketing resources is a good thing: The more marketing resources we have, the more opportunities we can surely pursue, and the more innovating options are available to us. Unfortunately, this is not the case, because resources are not merely stocks of assets ready to be deployed by managers. Instead, they are far more subtle and complex in how they inform and guide the decisions, choices, and behaviors of family owners and managers. The innovation implications of marketing resources are a special point of concern.

Past studies have shown that accumulating resources (marketing and other types) can be a double-edged sword for business. For instance, too many slack resources encourage firms to innovate beyond their practical means (Voss et al., 2008). Having plenty of marketing, financial and technological resources can make a business think it doesn't need to innovate because it's superior to other businesses, leaving it vulnerable to competition (Debruyne et al., 2010). Managers who think they know the market thoroughly tend to focus only on their current customers' expressed needs and overlook emerging needs and new customers, especially in cases where the business has built a strong brand (Kyriakopoulos et al., 2016). Ultimately, the impact of marketing resources on performance has been somewhat mixed (Hughes et al., 2019).

We wanted to take a closer look at what marketing resources mean specifically for family firms. So far the majority of research on marketing and the family business has focused on the potential power of the family brand as a marketing resource (see, for instance, the Special Issue (https://www.sciencedirect.com/journal/journal-of-family-business-strategy/vol/10/issue/1) of the *Journal of Family Business Strategy* on marketing, brands, and the family business.

How Family Firms View Marketing Resources

Family businesses are unique because they can build brands not only behind products, services, or even a company persona, but also around the family identity. In the UK, potato chips maker "Salty Dog" notes their family history, as do many other food and beverage providers, on their packaging. As a basic rule, the idea is that by connecting the product to the family, a consumer is often reassured about the quality of the product: "from our family to yours." Indeed, even their advertising typically includes factual, amusing, or caricature depictions of the family.

However, this carefully crafted, treasured family brand has a downside. The more established and tied together the family identity and business brand are, for example, the less willingness there is to launch new products or services that could undermine that brand if they flop. Attaching the established brand and family identity to a new product or service can send reliable signals to

Copyright © 2022 The Authors. Entrepreneur & Innovation Exchange is published at EIX.org. This is an open access article under the terms of the Creative Commons Attribution-NoDerivs License, which permits use and distribution in any medium, provided the original work is properly cited and no modifications or adaptations are made. View EIX.org Authorship Terms at https://eix.org/terms

FamilyBusiness .ORG

consumers by inferring some perception of quality from family affiliation, such as Salty Dog, or leveraging a known brand and family name to carry new innovations, such as Ford or Tata.

We have known for some time that family firms must confront the "ability/willingness paradox" of innovation. This means that without a willingness to accept the risk and uncertainty of innovating, family owners will not innovate much even if on the surface they have enough resources to do so (De Massis et al., 2014; Scholes et al., 2022). However, new innovations represent the lifeblood of businesses—but these are also risky because innovating often means moving away from the tried-and-tested and into new markets and segments. Unsurprisingly, many family firms often "stick to the knitting," innovating only incrementally and timidly around existing products and services rather than risking a totally new innovation (Nieto et al., 2015; Scholes et al., 2022). To sum up: having plentiful resources doesn't always give family firms the confidence to take chances; instead, it can make them complacent and risk averse.

Our Study

Recognizing that organizational and family resources command attention and determine priorities, we collected data through a two-phased, multi-respondent, matched survey method at two different points in time (2016-2017) from private, small-to-medium-sized family manufacturing businesses in the Chongqing region of China. These types of firms represent a substantial number of businesses in China. In Chongqing, they grew 10.32% each year from 2012 to 2017 and spent 23 billion yuan yearly on R&D (National Bureau of Statistics of China, 2017). We enlisted 290 of these firms to be part of our study, which involved the family owners and family owner-managers. Through written surveys carried out face-to-face with respondents, we sought to understand how various types of marketing and *family* resources shaped family firms' willingness and ability to innovate.

We found that having plentiful marketing resources, in general, made these family firms less willing to pursue really new innovation. However, having family patient capital (investments with a long-term focus) and family social capital (established strong relationships among the family member and community) protected the families from many risks, which encouraged innovation. We also found that when customer needs, tastes, and competition are changing rapidly, it forces these firms out of their complacency -- at which point marketing resources become a help and not a hindrance to innovating.

Takeaways

What does this mean for family business owners, managers, and advisors? Here are some things to consider.

1. Take a thorough look at your marketing resources – your market knowledge, reputation, social capital, and brand – and think about whether they are giving you confidence to take more risks, or whether you are using them as a crutch to reject new innovations. Decide if some of your investments in these resources need to change.
2. Ask whether your innovation strategies are too focused on cost, quality or small feature improvements and serve only existing markets and customers. Evidence of this can lie in stagnant sales and revenue figures, weak or modest R&D investment, relatively higher marketing expenditure as a ratio of sales revenue, and the rate of new innovation over the past three years.
3. Draw strength from family-unique resources including patient capital and family social capital and realize they can be a launchpad for a more radical innovation strategy. Like long-term investments and carefully built relationships, innovation should be seen as a strategy for the future rather than a quick hit.
4. No matter how secure your resources, the market environment can change radically. As a result, customers may lose interest in your existing products and services, which threatens your very survival. Pay attention to changes in the market no matter how secure you feel, and be ready to innovate to ensure your future security.
5. Do invest in your marketing resources but appreciate how to best capitalize on them. Policies that support a long-term outlook and strong social ties will help encourage innovations that ultimately help family firms build on their past success and continue to succeed into the future.

Copyright © 2022 Qilin Hu, Mat Hughes, Paul Hughes, Published by Entrepreneur & Innovation Exchange

DOI:

Explore the Research

Hu, Q., Hughes, M., and Hughes, P. (2022), "**Family-Unique Resources, Marketing Resources, and Family Owners' Willingness to Pursue Radical Innovation: A Model and Test (https://www.sciencedirect.com/science/article/pii/S0148296322003204)**", *Journal of Business Research*, 146(July), 264-276.

Copyright © 2022 Qilin Hu, Mat Hughes, Paul Hughes, Published by Entrepreneur & Innovation Exchange

DOI: