Resource Orchestration: Consolidation, Integration, Entrepreneurial and Affective Commitment in Creating Sustainable Competitive Advantage in the Family Firm

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Abstract

This study purposes to identify how family firm can create sustainable competitive advantage based on the resources of the firm through the concept of the resources orchestration and affective commitment. In particular, the authors identify the resource orchestration through three processes: consolidation, integration, and entrepreneurial. Consolidation: identified with the process of sharing ideas, cooperation and commitment, avoiding conflicts; Integration: identified with the process to search, select, configurate, deploy the assets and do structuring, bundling, leveraging the resources of the firm; Entrepreneurial: identified with the tendency to take risks, be innovative and proactive. Through affective commitment, family members on their own will keep staying in the family firm thus by retaining the presence of the firm's superior human resources capabilities in the firm, the firm can create longer sustainable competitive advantage. In short: sustainable competitive advantage in the family firm can be achieved through the resources orchestration and affective commitment.

Keyword: *Family firm, resource orchestration, affective commitment, sustainable competitive advantage*

1. Introduction

Family firms have an important role in the economy since ancient times, today and in the future. Family firms in almost all countries make a significant contribution in the country's economy. In the USA, the family firms that amount to 90% of all existing businesses (Vries. 1993) contributed more than 50% of gross domestic product (Dyer.1986). The role of the family firms in Indonesia is important in increasing the income of the country. In Indonesia, family firms also dominate, based on the results of the research "The Jakarta Consulting Group" in 2011, 80% of large firms in Indonesia were "family businesses" (Java Post, Surabaya, Indonesia. October 23, 2012). In the era of globalization and rapid technological changes, business competition becomes tougher, especially in developing countries, such as Indonesia. It means that sustainable competitive advantage that has been gained by family firms does not last forever. Changing environment, especially changes in the market structure, may change what was previously a source of sustainable competitive advantage to be no longer valuable to the family firms and thus no longer become a source of competitive advantage. Family firms are often unable to respond to the changing environment so that they cannot make innovations to transform their own resources into new ones that enable them to maintain sustainable competitive advantage. The family firms cannot keep their unique resources because of disharmony and conflict in the management of the family business, which actually come from its own close relatives. It can be seen from the firms' sustainability over generations, family firms that can thrive to the second-generation are 30% and those can last up to the 3rd generation are only 10% (Vries. 1993). Judging from the facts mentioned above, it can be said that it is difficult to maintain the solidity of the family firms until the third generation.

At first the family firms started from the first generation pioneer, the family members got involved together to face competition from external firms, along with the passage of time, they experienced significant growth so that they grow bigger in size even many of them have become national large companies.

Along with increasing size of the family firms, more and more family members got involved deeply. The large number of family members involved in the family firms may cause potential conflict, and this in turn affects the solidity of the family businesses. If the conflict is not handled properly, it will cause bad things for the continuation of the family firms. Basically family firms are related around family members kinship, family ownership, management by family members, and involvement of family members across generations (Rogoff.,& Heck. 2003). Some experts claim that the family firm is a firm which family has a significant stock-ownership and its operations involving several family members (Sirmon.,Arregle.,Hitt.,& Webb. 2008). In the family firms, ownership and family management has a significant role in identifying and allocating the necessary resources to create innovation for the sustainability of the firms.

In this article, the authors identify how the family firms can create sustainable competitive advantage through the resources orchestration that includes the processes of consolidation, integration, entrepreneurial with affective commitment. Basically, human resource expertise is different for every individual due to his/her cognitive knowledge, educational background and experience, and the ways in implementing expertise. Only relying on their own capabilities of Human Resources (HR) although they are superior resources is not enough. It is necessary to align HR capabilities (in this case the executives / owners of the family firm) to be able to work in an integrated way and harmony in creating and implementing the strategy. Therefore, it is necessary to encourage the resources orchestration in integrating human resources that owned by family firms continuously through three processes of resources orchestration: consolidation, integration and entrepreneurial. Consolidation: identified with the participative strategy based on team (Chirico et al., 2011), as a coordination mechanism to avoid conflict (Eddleston.,& Kellermanns. 2007; Miller et al., 2003) and as a strategic process of searching for consensus (Dess., Lumpkin.,&Covin.1997); Integration is identified as resources orchestration (Sirmon et al., 2011) which refers to combining five activities within assets orchestration (Adner.,& Helfat. 2003; Sirmon et al., 2007). According to Sirmon et al., 2011, assets orchestration consists of two main dimensions, those are the search / selection and configuration / deployment while resource management consists of structuring (acquiring, accumulating and divesting unique); bundling (stabilizing, enriching, pioneering) and leveraging (mobilizing, coordinating, deploying strategy). Entrepreneural orientation (Miller. 1983) reflects the firms' tendency toward product innovation, proactiveness and risk taking behaviours compared to competitors.

When the orchestration of resources increases, and is coordinated in harmony with the strategy, the orchestration of these resources become valuable, rare, costly to imitate and non-substitutable and this can create sustainable competitive advantage (Barney. 1991), which in turn can improve performance (Chirico et al., 2011). Thus, the resources orchestration can become the routines of family firms as a learning process that occurs continuously and in turn can create sustainable competitive advantage. In addition, the authors also identify that the presence of affective commitment of the firm executives may affect the willingness of family members to remain in the firm. This is consistent with the definition of affective commitment as psychological engagement of individuals and organizations, because individuals are very committed to the organization due to engagement and emotional closeness of family members who have been empowered in the organization (Allen.,&Meyer. 1990).

2. Family Firms

In Indonesia, most family companies are Family Business Enterprises (FBEs), that are firms owned and managed by members of the founding family (Susanto et al., 2008). In the family firm, decision-making processes are controlled by the family who are involved in it, generally occupying the top executive position in the company. A family firm is a context for family and business activities. The relationship between business and family seem tightly linked (Aldrich.,& Clift. 2003), so the failure of a business is able to generate a feeling of grief (Shepherd. 2009). Emotional bonding and assessment in family businesses are two related things that inseparable, thus significantly affecting the decision-making process and outcome (Gomez-Mejfa et al., 2007; Sharma.,and Irving. 2005). Family firms significantly vary in the way of pursuing goals such as: family firms differ in terms of their openness to changes (Miller et al., 2003; Salvato et al., 2010), the level of generation involvement (Kellermanns.,& Eddleston,2006; Zahra, 2005) and the level of participation of each member of the family in strategy formulation (Eddleston.,& Killermanns. 2007; Eddleston et al., 2008).

3. Conflicts in Family Business

Family firms has been identified as fertile places for conflict (Harvey.,& Evans. 1994), because each person that has a substantially different business direction tends to create disagreements in stride. Relational conflict that includes tension, hostility and disruption among members in the group (Jehn. 1995) is very detrimental to family employees as the conflict will persist minimally in most aspects of their lives, including in the family and the business environment (Killermanns.,& Eddleston. 2004). Thus the negative emotions that arise from the conflict can be damaging in the family firms since they are hard to escape. On going conflict and negative emotions generated will reduce entrepreneurial efforts and degrade the performance of the group (Evan. 1965; Pelled. 1996). Relational conflict reduces the ability of employees to identify alternative approaches and hamper the integration of resources into innovative products (Jehn.,& Bendersky. 2003) thus makes it more difficult to assess and accept the ideas of others and to combine them in a successful innovative effort. Relationship conflict will also disrupt efforts to finish tasks of related members to focus on reducing the threat, increasing strength and building cohesion and forgetting about work to be done (Jehn. 1997). Relational conflicts prevent another conflict that can benefit such as task conflict / opinion conflict which lowers the goals and strategy of the company to consider more options comprehensively (Killermanns.,& Eddleston. 2004; Jehn. 1995).

4. Sustainable Competitive Advantage

Firm performance is influenced by the resources owned by the firms. Barney.,1991; 2001 formulated theoretical framework known as "VRIN Framework" (Valuable, Rareness, Imperfect Imitability, non-substitutable). Valuable, rare, imperfect imitability, non-substitutable resources can provide a source of sustainable competitive advantage (Barney. 1991). Resources-based view rationale is that fundamentally firms are different in running the company's strategy. Different resources (heterogeneity) owned distinguish why a firm has competitive advantage more than other firms.

According Delery& Shaw.,2001, human resources have a strong role in developing and sustaining the company's competitive advantage against competitors. Wright.,&McMahan. 1992 presented that the resource-based view is one perspective, which argues that human resources of the firm can potentially provide a source of sustainable competitive advantage. This is consistent with the research of Sirmon et al.,2007 that describes the role of the manager in the resource-based perspective. They define resource management as a comprehensive process of structuring, bundling and leveraging resources of the firm with the aimed to create value for customers and achieve a competitive advantage of the firm (Sirmon et al., 2011). According to Wright et al., 1994 in VRIN concept, the practice of Human Resources cannot form the basis for sustainable competitive advantage because HR (Human Resources) practices are easy to imitate by competitors, otherwise human capital with a highly skilled workforce and highly motivated one will have greater potential to become a sustainable source of competitive advantage. Organizations can achieve sustainable competitive advantage because their resources are rooted in the organization's ability to innovate. Innovation has an inherent notion of a leap forward to face complex environments. Thus a valuable resource should be precious to be able to generate sustainable competitive advantage.

5. Orchestration of Resources

According to Macey et al., 2009 organizations invest efforts of resources to attract, select, develop and retain employees who are proactive and committed. Although the firm has the resources which consists of firm executives who are competent in their field and have professional employees, but there is no a guarantee that it can deploy all the resources of the firm to create / maintain sustainable competitive advantage. Employees / human resources of the firms are more valuable when they are interconnected and interacted socially (Coff. 1997). In the expansion, dynamic nature and integration of human resources that owned by the firm need orchestration of individual and group dynamics (team). Teece. 2007 illustrates the identification of the function of top executives with people as an "orchestration conductor". A company executive in the context of business conducts continuously orchestration of assets of the company's human resources to promote the completeness and productive exchange to facilitate individual and team efforts like in an orchestra consisting of a variety of musical instrument players, piano, violin, flute, harp and others as well as vocalist. Each has the expertise and when it is played together with the direction of a conductor, it will generate the configuration of a beautiful and harmonious music. The conductor helps and motivates and integrates harmonious and synchronous performance of the individual musicians and provides encouragement to all musicians to perform the best.

As an orchestra conductor, the chief executive officer (CEO) of the firm can minimize bias that occurs during the decision-making and through social processes to resolve conflicts that occur (Kor., & Mesko. 2013).

In this article, the authors identify the resources orchestration through combining the three processes: consolidation, integration, and entrepreneurial orientation to improve performance.

5.1. Consolidation Process

The consolidation process is one of the processes in the resources orchestration that can also be regarded as a process of coordination, which is identified as the strategy of sharing ideas of all the family members involved in the effort to ensure cooperation and commitment in defining and implementing openly the vision of the company. As such conflicts can be avoided. Coordination mechanism is the process required to avoid conflicts (Eddleston., & Kellermanns. 2007; Miller et al., 2003) and is a strategic process of searching for consensus (Dess., Lumpkin.,&Covin. 1997). The coordination process is performed to ensure the cooperation and employee commitment to mobilization (Hall.,Melin.,& Nordqvist. 2001; Jehn.,& Mannix. 2001), improvement of strategic decision making(Schweiger.,Sandberg., & Ragan, 1986). Mobilization is a plan or vision for the capabilities (Sirmon, et al., 2011: 1392). The process can be seen as an integrative tool that allows individuals to better understand where the organization / firm moves toward and can reduce individual bias that motivate individuals to maximize the performance of the firm (Eddleston.,& Kellermanns. 2007: 552). Open group discussions are constructive, and participants can share ideas, knowledge and experience (Burgelman.,&Hitt. 2007) to help members see the problem from a different angle so that in turn can generate more creative and innovative ideas (Jehn., 1995; Jehn.,& Bendersky. 2003) and converted into a profitable performance (De Clercq et al., 2010) thereby causing a family company reduce relationship conflict by offering a context that encourages family members to voice their input, reduce misunderstandings and other frustrating while encouraging commitment (Ibrahim.,Soufani.,& Lam. 2001). Ling.,& Kellermanns. 2010 found that the heterogeneity of family members is positively related to company performance when there is high information exchange.

5.2. Integration

Aside from the consolidation process, in the resources orchestration process existence of integration of assets orchestration with resources management is also needed (Sirmon et al., 2011). Assets orchestration derived from research on dynamic capabilities (Adner.,&Helfat. 2003), which consists of two main dimensions, those are the search/ selection and configuration / deployment. According to Sirmon et al.,2011 in the assets orchestration, 1) the process of searching / selection requires managers to identify assets, make investments with them, design an organizational structure and governance of the firm and create a business model while 2) the configuration / deployment process requires the coordination of assets, provision of a vision of the assets and support for innovation. Resource management framework (Sirmon et al., 2007) focus on the actions of managers to define resource management as a comprehensive process of structuring, bundling, and leveraging of resources of the firms with the aim of creating value for customers and achieving the firm's competitive advantage. According to Sirmon et al.,2011:

- Structuring involves 1) acquiring, 2) accumulating and 3) divesting resources to form a portfolio of corporate resources.
- Bundling refers to the integration of resources to establish capabilities that have 3 sub processes: 1) stabilizing or improving small incremental to the existing capabilities, 2) enriching, which extends current capabilities, 3) pioneering which creates a new ability.
- Leveraging involves the sequence of the process to exploit the ability of the firm and take advantage of certain market opportunities, including 1) mobilizing which provides a plan / vision of the capabilities required to establish the necessary capabilities configuration, 2) coordinating which involves the integration of capabilities configuration, 3) deploying strategies where profits, resources, opportunities, market or entrepreneurial strategies are used to exploit the capabilities configuration formed by coordination sub processes.

However, creating value and developing competitive advantage is necessary for synchronization process (Sirmon et al., 2007). In this article, one of the resource orchestration processes is an attempt to integrate resource management and assets orchestration that focuses on how managers affect resource-based competitive advantage.

5.3. Entrepreneurial Orientation

The next process in the resources orchestration is the entrepreneurial process. The resources orchestration shows that in order to be entrepreneurially successful in the family firms, the unique resources of the firm are defined inclusively as an tangible and intangible assets controlled by the organization (Helfat.,&Peteraf. 2003) and they must be effectively regulated, and thus require synchronization mechanism of mobilization and commitment. According to Chirico et al., 2011 entrepreneurial orientation includes a tendency to behave having sufficient courage to take risks, be innovative and proactive as identified by Miller. 1983. The authors use Miller's concept about entrepreneurship because it is used in subsequent studies of the family firm. (eg.Casilas et al., 2010; Kellermanns.,& Eddleston. 2006). Dare take risks refers to entrepreneurship behavior of calculating costs of failure and high profit potential (Lumpkin.,& Dess. 2001). Being innovative reflects the tendency of the firms to creativity and conducting research that can lead to the creation of new products or modify an existing product (Zahra.,& Covin. 1995) to meet the demands of market today and in the future (Lumpkin.,& Dess. 2001). Being proactive is a perspective of the future that characterized by the pursuit and anticipation of the demand and need of future market. In turn, firms can take advantage of existing opportunities and shaping the evolving competitive environment (Chirico et al., 2011).

Resources orchestration: through processes of consolidation, integration and entrepreneurial orientation a unique resource is created. Unique resource is a valuable, rare, costly to imitate and non-substitutable one (Barney.,1991) so as to create competitive advantage, but having such resources does not guarantee superior performance. Managers need to be aware of the potential of its resources and deploy them well to make the company gain competitive advantage (Morrow et al., 2007). Thus the resources orchestration is associated with the actions of leaders to facilitate efforts to effectively manage resources of the firm (Hitt et al., 2011). Specifically: a manager / leader can affect the performance of the firm through portfolio resources of the firm, resource management and resource improvement in the market (Ireland et al., 2003; Sirmon et al., 2007).

6. Affective Commitment

Avolio et al., 2004, states that while leadership has been positively associated with work attitudes and behavior at the individual and organizational level, the leaders show the influence to motivate followers and followers' performance. It could be argued that the delegation of authority and more specifically empowering leadership will indirectly affect the commitment of followers. From the definition of the affective commitment, which refers to psychological engagement of individual and organization, individuals who are very committed to the organization will be deeply involved in the organization's activities and enjoy the activities in the organization. It means a person is committed to stay in an organization because he/she feels badly needed. Willing to remain in the organization as a form of commitment is influenced by certain factors. Affective commitment that is defined as being psychologically empowered and trusted (empowering leadership) as suggested by Allen.,& Meyer.,1990, is related to 4 factors, namely, social exchanged, employee perceptions of fairness (Barling.,& Philips., 1993), perceived organizational support (Eisenberger.,& Fasolo. 1990), and growth outcome (Taylor et al., 1996).

Through affective commitment, superior human resource capability can protect its existence in the firm. By retaining the presence of the firm's superior human resource capability in the firm, the firm may have resilience in maintaining / creating longer sustainable competitive advantage. Significant turnover not only spends the human capital of the firm but also gives competitors an opportunity to have a chance of getting these resources so that competitors gain new knowledge owned by the firm and hence competitive advantage is reduced and may even disappear from the firm (Shaw., Park.,&Kim. 2013). With affective commitment cultivated by firm's executives (in this case are members of the family), the existence of professional human resources can be maintained to remain in the firm. Thus, the firm's competitive advantage in the presence of resource orchestration process as well as affective commitment can be maintained for longer sustainability.

7. ConceptualModel

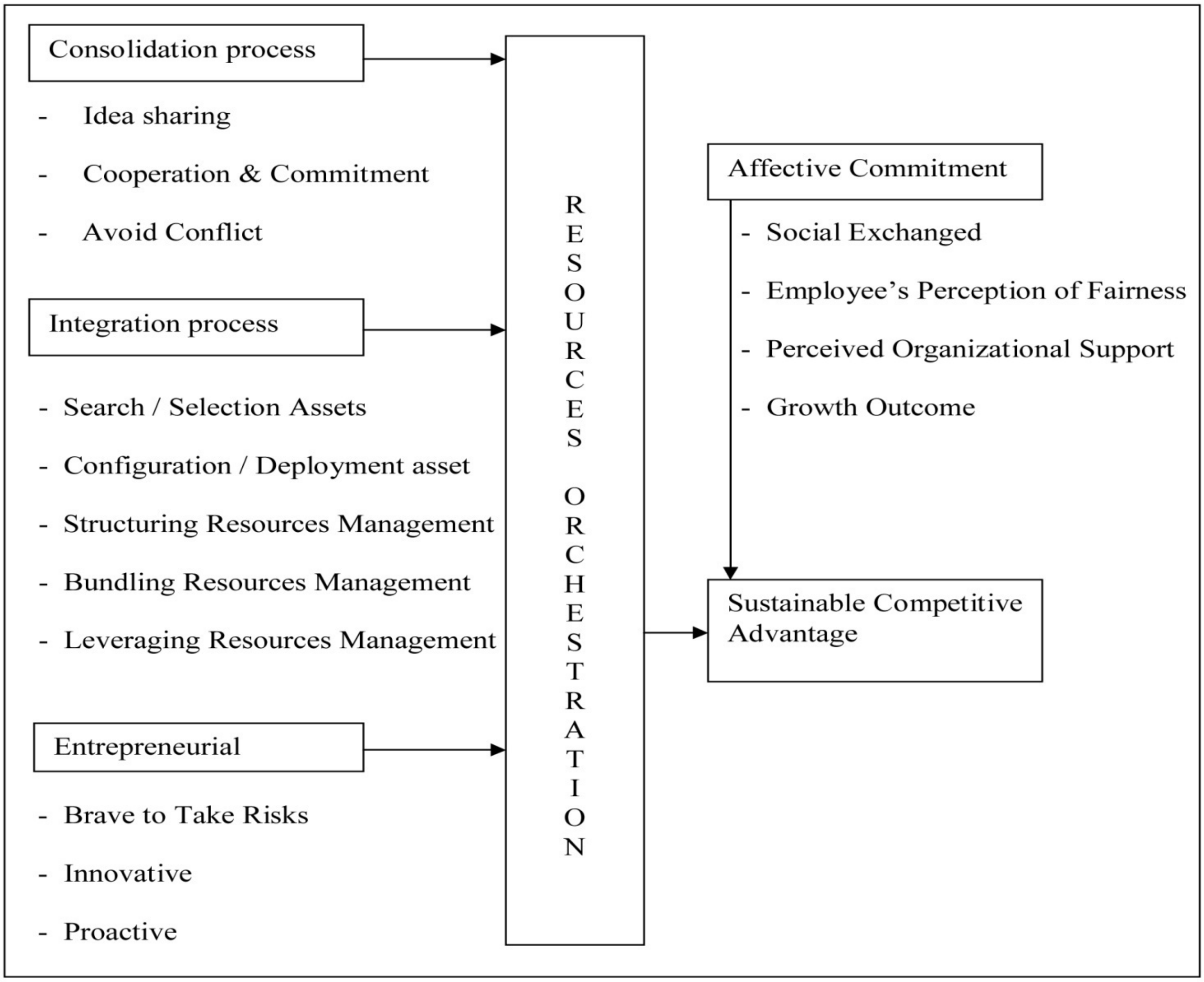

Figure 1: Resources Orchestration and Affective Commitment in Creating Sustainable Competitive Advantage in Family Firms

8. Conclusion

Competitive advantage in the family firms is gained and sustained through firm resources orchestration and affective commitment of firm executives who are mostly close relatives. Resources orchestration refers to the three processes, such as: 1) consolidation process that includes techniques that minimize bias as well as maximize ideas sharing of all members involved as a mechanism to avoid conflict and seek consensus, and hence ensure cooperation and commitment among individuals within the firm to maximize the firm performance; 2) integration process that includes assets orchestration and resources management. Assets orchestration comprises two dimensions: a) search / selection to identify assets, make investments, set up organizational structure and governance, and determine the business model; b) deployment / configuration for coordinating assets that provides a vision for the assets and sustains innovation. Resources management is a comprehensive process of: a) structuring resources to create firm's resources portfolio that involves how to acquire, accumulate, and divest resources; b) bundling resources to create a new process through the process of stabilization / addition to enrich existing capabilities and pioneer new ability; c) leveraging resources that aims to mobilize exploitation of the firm's capabilities and take the "opportunity" from market opportunities through developing a plan to establish the necessary capabilities configuration, integrate capabilities configuration, and deploy capabilities configuration; and 3) entrepreneurial orientation that focuses on how the chief executive who is one of the family members has a tendency to have sufficient courage to take risks, be innovative in the market against competitors' products, and be proactive.

Through resources orchestration, and hence the unique resources that are created will increase the absorption of the firm's capabilities and making it as a routinity and a continuous team learning process that in turn enable the firm to continuously innovate. Thus, the orchestration of these resources together with firm executives' affective commitment create organizational and social complexities that are valuable, rare, costlly to imitate and non substitutable. In this perspective the family firm enjoys sustainable competitive advantage.

9. Limitation

The authors focus on resources orchestration and firm executives' affective commitment as major factors that affect family firms' sustainable competitive advantage. Most likely some other factors may affect family firms' sustainable competitive advantage but those are considered to be beyond the scope of this study. In addition, the authors do not elaborate measurements of the proposed variables either due to their potential complexities. Without ignoring the measurement complexities this study is just limited to propose a conceptual model of creating sustainable competitive advantage in the family business through resources orchestration and firm executives' affective commitment.

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