The Effects of Relationship Orientation through Innovation Orientation on Firm Performance: An Empirical Study on Turkish Family-Owned Firms

Cemal Zehir\textsuperscript{a}, Erkut Altindag\textsuperscript{b}, A.Zafer Acar\textsuperscript{c},
\textsuperscript{a}\textsuperscript{a} Gebze Institute of Technology, Kocaeli, 41400, Turkey
\textsuperscript{b}\textsuperscript{b} Okan University, Istanbul, 34722 Turkey

Abstract

In recent years, there has been an increasing interest in the strategic management process is to achieve the performance outcomes that allow firms, including family-influenced firms, to be competitive over time. The fast pace of change in competitive market environments might be adduced as evidence for this view. This new concept requires new strategic alternatives for the family-owned companies. Successful family firms need to establish a board devoted to strategic business issues [1], [2]. A few of studies have demonstrated effects of innovation or relationship orientation on innovation-driven organizational performance in Turkey. The purpose of this paper is determine and report the results of a research study aimed of providing an overview including the key dimensions of performing two strategic orientations of family owned business enterprises and hope to bring new outputs into strategic orientation literature to fill this gap in the field of the study in Turkey.

Keywords: Strategic orientations, Turkish family firms, firm performance, innovation orientation, relationship orientation, empirical study

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Corresponding author. Tel. +90-532-546-5664
Email address: ealtindag@gyte.edu.tr
1. Introduction

Strategic management is the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is a level of managerial activity under setting goals and over tactics including some special tools like strategic orientations. These orientations involve both strategy formation called content and also strategy implementation called process [3], [4]. During the last decades, strategic orientations such as relationship, innovation, learning, market, etc. in family owned firms have received increased attention among scholars. Family businesses significantly affect to economy and the social life of a nation. The typical family business has been characterized as an organizational controlled and usually managed by multiple family members. In general, management structure in the family business will determined by the top level manager. Usually at least two generations of family are found in corporate governance. In the definition of the family company; spouse, siblings, mother / father and child may enter the partnership of the management board or support the capital as a shareholder [5]. Recent researches indicates that companies achieve their aims easily which are in family firm structure. Family participation as managers and/or owners of a business can strengthen the company because family members are often loyal and dedicated to the family enterprise. Family firms often have concentrated ownership and / or voting rights that might enhance performance [6]. Family businesses may offer particularly appealing circumstances for studying certain kinds of organizational phenomena [7]. The aim of this article is to develop a model of family business that accounts for the unique characteristics of family business, specify the diversity of orientation forms, and addresses the dynamics among family-owned business firm performance. This paper first gives a brief overview of the recent history of family-owned firms, innovation and relationship orientation. After that, methodology section will be presented with found intense consequences.

2. Literature Review

2.1. Family-Owned Firms

Researches in strategic management field are very critical with increased emphasis on developing theoretical concepts and testing empirical relationships rooted in such concepts. The heart of the strategic management process is to achieve the performance outcomes that allow firms, including family-influenced firms, to be competitive over time [1], [8]. Family owned firms significantly impact to the economy and the social life of a nation. Especially in Turkish economy, they are predominant with an account for 95 percent of all enterprises [9], [10]. Family-owned firms are one of the foundations of the world’s business community. Their creation, growth and longevity are critical to the success of the global economy. Family-owned firms have distinctive characteristics from which they can derive significant competitive advantage. A long-term point of view comes from building a business for future generations while the strength of most family-owned firms’ founding values give them a clear identity in an increasingly faceless corporate world [2]. The typical family business has been characterized as an organization controlled and usually managed by multiple family members [5], [11]. In general, management structure in the family business will determined by the top level manager. Usually at least two generations of family are found in corporate governance. Spouse, siblings, and mother / father and child in the definition of the family company enter partnerships [5]. Recent researches indicates that companies achieve their aims easily which are in family firm structure. Family-owned firms often have concentrated ownership and / or voting rights that might enhance performance [6]. Family-owned companies present special challenges to those who run them. They can be quirky, developing unique cultures and procedures as they grow and mature. Analyses show that family-owned firms mostly outperform than others. Even family-owned firms transforms into a corporate companies or
conglomerates, the first establishment structure and its culture still alive for years. Therefore, the strategic orientations that were used and integrated with culture is very important during the process about strategic management here are several strategic orientation models that have been implemented in family-owned firms. Each strategic orientation has various effects on profitability and growth performance in family businesses. These strategic orientations affect the firm performance through, also may lead to competitive vulnerability in the rapidly changing and turbulent competitive environments. Managers in family-owned firms that enact a marketing idea apply their efforts to listening to, and reacting to customers – that is, the needs and wants of customers are the main focus of the firm’s endeavors. In the scientific literature, strategy content primarily focuses upon the outcome of strategic decisions and the manner in which business strategy content is manifest in a firm has been variously described as strategic predisposition, strategic fit, strategic thrust and choice, and more commonly strategic orientation [12]. In spite of there are a lot of empirical studies that includes the connection between strategic orientation and firm performance in international scientific literature, this subject matter is mint state in Turkey. Our study includes an empirical research to determine effects of strategic orientations to business performance. We can categorize this empirical study into the comparative approach [12]. In this context the aim of this study is to examine the possible effects of two dimensions of strategic orientations on to business performance of the family-owned firms. The literature on family business is wide-ranging and it is difficult to find consensus on the exact definition of a family firm. Family firms share certain characteristics that render them unique in terms of patterns of ownership, governance, and succession [7]. For instance, owner-families share the desire for ownership control and the continuity of family involvement in the firm. To fully appreciate these special characteristics, it is crucial to focus on family firms where the family is likely to have considerable impact on entrepreneurial activities. We therefore define family firms as firms where one family group controls the company through a clear majority of the ordinary voting shares, the family is represented on the management team, and the leading representative of the family perceives the business to be a family firm [13]. Most of the research projects studying goals in family firms compare the goals of these types of firms to those of non-family firms in order to detect significant differences. Results in relation to this subject are mixed. Among those important family roles are survival, financial independence, family harmony and family employment [14], [15], [16]. Moreover, family firms are described as being more risk-averse and less growth-oriented. They focus less on technology, creativity and innovation [15]. However, most of the family firm managers believe that they are operating in a hostile external environment [16].

2.2. Innovation and Relationship Orientation

During the past 20 years much more information has become available on strategic orientations. Innovation orientation may be linked to performance and growth through improvements in efficiency, productivity, quality, competitive positioning, market share, etc. All organizations can innovate, including for example hospitals, universities, and local governments. A convenient definition of innovation from an organizational perspective is given by Luecke and Katz [17], who wrote: “Innovation is generally understood as the successful introduction of a new thing or method; innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services.” Discussion of the innovation philosophy generally refers to issues such as new products, technology, and discontinuous improvement, while discussion of the marketing philosophy generally concerns matters such as customer service, customer satisfaction and customer focus. The tendency to see these philosophies as mutually exclusive is reinforced by the specialization of academics and consultants in one or the other area. Some scholars, however, have paid attention to the need to integrate technology and market [18]. All these ideas are presented a commercial product and/or service as an innovation by
family-owned firms. Discussion of the innovation philosophy generally refers to issues such as new product development, technology, and discontinuous improvement, while discussion of the marketing philosophy generally concerns matters such as customer service, customer satisfaction, time-based competition strategy, focusing only on process, labor and delivery time [19]. Properly to innovation orientation, new production and consumption processes feed on each other, changing behavior with catalytic repercussive effects. The rationale for the innovation orientation is that it has the potential to seek or create markets and customers. It can do this by defining customer needs, hence determining the nature of consumer demand. The extreme types of these innovations are often referred to as super innovations and breakthrough technologies [18], [20]. An innovation-oriented knowledge structure is a set of organization-wide shared beliefs and understandings that guide and direct "all organizational strategies and actions, including those embedded in the formal and informal systems, behaviors, competencies, and processes of the firm" [21]. Most prior innovation research has focused on factors that affect innovations, primarily rate, speed and benefits. More recent research has examined innovation as a system-based, firm-wide orientation toward innovation. Along with this broader perspective comes a need for understanding outcomes of the orientation, both positive and negative. An innovation-oriented knowledge structure is a set of organization-wide shared beliefs and understandings that guide and direct “all organizational strategies and actions, including those embedded in the formal and informal systems, behaviors, competencies, and processes of the firm” [22] and, in large part, drives a firm’s ability to innovate continuously, according to recent research [21], [23]. In this conceptualization, the innovation-oriented firm focuses on developing key organizational competencies in resource allocation, technology, employees, operations and markets. The innovation literature to date has largely relied on a handful of specific, readily calculated outcomes of innovation, with few studies examining the link between a more comprehensive innovation orientation and its organizational effects [24]. An innovation orientation provides a firm with the capability of developing and implementing innovations. Innovations that occur in methods, techniques, information flows, and equipment are generally termed process or administrative innovations [22], [25]. Relationship orientation refers to the proactive creation, development and maintenance of relationships with customers and other parties that would result in mutual exchange and fulfillment of promises at a profit [26]. Relationship orientation is a multi-dimensional concept that has been conceptualized by various authors to include different dimensions. According to Panayides’ model, there are five sub-factors of relationship orientations including trust, borders, communication, shared values and empathy [27]. For instance, shared values directly affect the organizational climate through employee’s behaviors. Another factor, empathy is the capacity to recognize and, to some extent, share feelings (such as sadness or happiness) that are being experienced by another member of the organization. Communication title containments to communicate and express personal’s opinions to each other frequently [21], [27], [28]. Relationship orientation has a great importance to the success of family-owned firms in strategic management as building a strong organization culture and creating common values with customers and suppliers. The importance of relationship marketing is reflected in the various advantages that have been attributed to it by prominent scholars and studies [28], [29]. Inter-organizational relationships may also be beneficial in the context of supply chain management (SCM) that requires the integration of the business partners in the supply chain. This importance has been highlighted in distribution channel studies and theoretically analyzed in the context of supply chain management and performance [27], [30], [31], [32]. Relationship orientation may be viewed as a philosophy of doing business successfully and as an organizational culture that puts the buyer–seller relationship at the centre of a firm’s strategic and operational thinking [21], [27], [28].
2.3. Firm Performance

Each strategic orientation has miscellaneous effects on growth and profitability performance in family-owned businesses. In previous studies, the positive way strong relationships were found between the active return rate, growth in sales, new product success, increasing market share and profitability performance indicators [33]. The measurement of business performance has primarily relied-upon two general approaches that involved the use of either objective or subjective measures of performance. The objective approach uses the absolute values of quantitative performance measures such as profitability, cash flow and market share. The second approach uses subjective measures of performance, where respondents are asked to state their companies’ performance on criteria like profitability and market share relative to that of their competitors. In this research, family business’ financial and growth performance are tried to analyze by managers or chiefs’ perspectives. Financial performance is a kind of subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. In other words, firm performance is connected to effective use of performance measures in the family-owned firm. Firm performance in this study is defined in terms of improvements in market share, profitability, sales growth, return on investment and overall performance.

3. Methodology

3.1. Conceptual Framework of The Study

This paper will focus on an account of evaluating the effects of strategic orientations levels on firm performance in family firms. In this context, the hypothesis which we generate in our study is based on scientific literature and created a research model that explains the causes of orientations over firm’s qualitative and quantitative performance. Based on this literature, this empirical study tries to explore the new direct effects of relationship orientation through innovation orientation on firm performance. If the family owned firms restructure their organizations with strategic orientations; firms have the potential to gain superior financial and growth performance. With relationship orientation customers’ need and expectations may be satisfied clearly. Firms which integrated this orientation are expected to practice innovation for sustainable competitive advantage. Hence, we expect a direct effect of relationship orientation on innovation relationship; a similar direct effect of innovation orientation on firm performance. The supreme point of this empirical analyze is shaping around the effects of relationship orientation as the accelerator on firm performance and other orientations. In this article, possibilities of the outcomes that were born of using relationship orientation will be examined. That’s why the five subfactored model is used to add new scientific information into the management area. It’s taken into consideration the output of business performance within two factors that evaluate the financial and growth performance of the family-owned firm. Relationship orientation operates through various factors, often classified as trusting, the borders between employees, communication, shared values, and empathy ability. Accompanied by previous literature [18], [27] and with support of the modern strategic management literature, these hypotheses are expanded:

\[ H1a: \text{There is a positive, significant and direct relationship between trust (RO) and innovation orientation} \]

\[ H1b: \text{There is a positive, significant and direct relationship between borders (RO) and innovation orientation} \]

\[ H1c: \text{There is a positive, significant and direct relationship between communication (RO) and innovation orientation} \]
**H1d:** There is a positive, significant and direct relationship between shared values (RO) and innovation orientation

**H1e:** There is a positive, significant and direct relationship between empathy (RO) and innovation orientation

One survey across a large number of manufacturing and services organizations found, ranked in decreasing order of popularity, that systematic programs of organizational innovation are most frequently driven by reduced labor costs, improved product processes, improved quality and strong goal definition [34]. There appear to be two main factors affecting the development of family business and succession process: the size of the family, in relative terms the volume of business, and suitability to lead the organization, in terms of managerial ability, technical and commitment [35]. Effective goal definition requires that organizations state explicitly what their goals are in terms understandable to everyone involved in the innovation process. We assume that family-owned firm performance is shaped by the usage level of innovation orientation. Accordingly this supposition:

**H2a:** Innovation orientation is positively related to firm’s financial performance

**H2b:** Innovation orientation is positively related to firm’s growth performance

![Figure-1: The model of the research](image-url)
3.2. Sample and Data Collection

For the purpose to empirically investigate the hypothesis that utter research questions of the study family-owned firms a questionnaire survey was been performed in the Marmara region, which is most industrialized area of Turkey. The sample of this research has chosen randomly from the owner/managers of family-owned firms from the database of Istanbul Chamber of Commerce. A database has been consisted with 400 questionnaires that collected among over 159 family owned firms. In regard of scale development, two strategic orientations as innovation and relationship orientations have incorporated in our study. The descriptive statistics of the respondents are shown in Table 1. All items were measured on a seven point Likert-type (most widely used scale in survey research) scale where 1= strongly disagree and 7= strongly agree. Data is evaluated by SPSS 16.0 statistical program. The relationships between the all variables are tested using factor, reliability, correlation and regression analyses.

Table 1. Descriptive Statistics of the Sample

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>259</td>
<td>682</td>
<td>Owner \ Shareholder</td>
<td>69</td>
<td>17.3</td>
</tr>
<tr>
<td>Female</td>
<td>121</td>
<td>31.8</td>
<td>Top Level Manager</td>
<td>57</td>
<td>14.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Middle \ Bottom Level Man.</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary School</td>
<td>6</td>
<td>1.5</td>
<td></td>
<td>107</td>
<td>28.5</td>
</tr>
<tr>
<td>High School</td>
<td>59</td>
<td>15</td>
<td>1-5</td>
<td>122</td>
<td>32.4</td>
</tr>
<tr>
<td>Under Graduate</td>
<td>31</td>
<td>7.9</td>
<td>6-10</td>
<td>94</td>
<td>25</td>
</tr>
<tr>
<td>Graduate</td>
<td>210</td>
<td>53.3</td>
<td>11-20</td>
<td>53</td>
<td>14.1</td>
</tr>
<tr>
<td>Master / PhD</td>
<td>88</td>
<td>22.3</td>
<td>20+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Unspecified information in the questionnaire decreased the total value.

3.3. Scales

The items of the independent factors are constructed by establishing common variables of the innovation orientation and the relationship orientation which used in previous researches [27], [36], [37]. We took into consider outputs of the business performance within two factors which evaluate financial and growth performance of the firms. This scale that consists of twelve items is similar to some recent studies’ business performance scale which was used in literature often [38], [39], [40], [41], [42], [43], [44], [45], [46]. After certifying the reliability of the scales, the relationships between the variables are tested using factor, correlation and regression analyses. Consequently significantly meaningful relationships between strategic orientations and firm performance are founded empirically. Moreover, the effects of strategic orientations on firm performance will be discussed. All questions are tested for linguistic and meaning errors and it’s controlled by Brislin’s back-translate method for the translation of questionnaires [47]. All items were measured on a seven point Likert-type scale where 1= strongly disagree and 7= strongly agree. Data is evaluated by SPSS 16.0 statistical program. The relationships between the all variables of the survey are tested using factor, reliability, correlation and regression analyses.

3.4. Scale Validity and Reliability

In this empirical study, all items and components are tested by comprehensive reliability analyses at the first step. It’s analyzed the alpha reliability test (Croanbach). Croanbach’a Alpha value is generally used as a measure of the internal consistency or reliability of a psychometric test score for a sample of
examinees. All the scale reliability coefficient has been determined a satisfactory level such that $\alpha = .916$; this value is quite over the recommended 0.70 threshold [48], [49]. The variables those exist in the scale are tested individually; some items are removed before the analyses process (i7, i9 and i10 from innovation orientation, p3 from performance). Later on this process, the cumulative reliability coefficient value increased to $\alpha = .928$. This level is higher than the critical threshold value (0.700) that generally accepted in the scientific literature [48]. The scale structure that was obtained with factor analysis was evaluated with the Kolmogorov-Smirnov test which is statistic quantifies a distance between the empirical distribution function of the sample and the cumulative distribution function of the reference distribution, or between the empirical distribution functions of two samples, and it was seen that $t$ values of all of the variables were at the sufficient level for our sample that prove that the distribution of the data is statistically normal. At next step, it’s examined the “corrected inter-item correlations” and “squared multiple correlations” in the item analysis stage. It was found that, except two items all of the resulting values were 0.500 and above. In pursuit of reliability and correlation analyze, it is determined the factor structures by basic component analyze.

### Table-2: Factor Analyses

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of components</th>
<th>Cronbach’s Alpha</th>
<th>Total Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Orientation</td>
<td>5</td>
<td>0.952</td>
<td>% 82.134</td>
</tr>
<tr>
<td>Innovation Orientation</td>
<td>1</td>
<td>0.888</td>
<td>% 60.966</td>
</tr>
<tr>
<td>Business Performance</td>
<td>2</td>
<td>0.929</td>
<td>% 69.221</td>
</tr>
</tbody>
</table>

### 4. Test of Research Questions

After the process of testing reliability and the factorial structure, correlation analysis of the research questions was begun with the purpose of examining the mutual relationship among the factors considered in our research model. To obtain by dividing the covariance of the two variables by the product of their standard deviations, the correlation analyses has used. The information given by a correlation coefficient may be not enough to define the dependence structure between random variables as only one process; therefore regression analyzes handled this gap next to this stage. All sub-components have been aggregated up to only one main factor in the line of this aim (Table 3).

### Table -3: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.377**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borders</td>
<td>.381**</td>
<td>.715**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>.331**</td>
<td>.779**</td>
<td>.748**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared Values</td>
<td>.130**</td>
<td>.458**</td>
<td>.515**</td>
<td>.490**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>.271**</td>
<td>.670**</td>
<td>.640**</td>
<td>.690**</td>
<td>.545**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial P.</td>
<td>.250**</td>
<td>.006</td>
<td>.039</td>
<td>.022</td>
<td>-.033</td>
<td>-.011</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Growth P.</td>
<td>.335**</td>
<td>.062</td>
<td>.165**</td>
<td>.071</td>
<td>.042</td>
<td>.142</td>
<td>.730**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

p*< 0.05; p**<0.01
Results of correlation analysis reveals that all constructs which differed from each other as a factor are also correlated each other positively and significantly. The other major point is about the business performance factor is evaluated into two components. Growth performance includes the enhancement rate of employees, profitability, products and services. The other component is financial performance of the family firm. It has various ratios including total sales, profits before taxes, equity/profitability in the scale.

- It is found that trust and borders (two of relationship orientation sub-dimensions) directly, positively, and significantly affects and innovation orientation ($\beta$: 0.233; $\beta$: 0.271). Trusting each other and to respect to the borders between employees, effects the innovation orientation. ‘Shared values’ which is a sub-factor of relationship orientation significantly impact reversely on innovation orientation ($\beta$: -.120). Namely, sharing same values, thoughts and norms is not effect innovation process positively (H1a and H1b are supported; H1c, H1d and H1e are not supported). A possible explanation of for some of our results may be the employees from different cultures can pose a negative impact on innovation-driven family-owned firms; business cultures are internally affected by both forces encouraging change, employees from various cultures and forces resisting change.

<table>
<thead>
<tr>
<th>Sub Dimensions</th>
<th>Model 3</th>
<th>$\beta$</th>
<th>$T$</th>
<th>$p$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td></td>
<td>0.233</td>
<td>2.959</td>
<td>0.003</td>
</tr>
<tr>
<td>Borders</td>
<td></td>
<td>0.271</td>
<td>3.605</td>
<td>0.000</td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td>0.002</td>
<td>0.023</td>
<td>0.981</td>
</tr>
<tr>
<td>Shared Values</td>
<td></td>
<td>-0.120</td>
<td>-2.118</td>
<td>0.035</td>
</tr>
<tr>
<td>Empathy</td>
<td></td>
<td>0.005</td>
<td>0.070</td>
<td>0.944</td>
</tr>
</tbody>
</table>

Dependent variable: Innovation Orient.

$p*<0.05; p**<0.01; p***<0.001$

Thereafter mutual relation of research examining factors in the model, the linear relationship is tested with regression analysis. According to the results given in Table 5, we deduce that both relationship and innovation orientations have statistically significant direct positive effects on business performance. On the other hand, there is no significant prove of the affects of three sub-factors of relationship orientations with sub dimensions on the firm performance. The rise in the values of independent variables in the innovation increases the performance of the firm. There is a linear relationship between the innovation orientation and performance. We also support these findings:

- There are some findings that support the innovation orientation directly, positively, and significantly affect the firm’s financial ($\beta$: 0.250) and growth ($\beta$: 0.335) performance. Innovation may be linked to positive changes in efficiency, productivity, quality, competitive positioning, market share, etc. can all be affected positively by innovative forces. This consequence is linked to the importance given to innovation by managers (H2a and H2b are supported).

- As a remarkable outcome, the two sub-factors of relationship development have a positive impact on family-owned firm’s growth performance. A positive correlation was found between border and empathy sub-factors directly, positively and significantly affects the firm’s growth performance ($\beta$:0.267; $\beta$:0.176). Borders and empathy factors signs a direct and positively effect on firm performance. Description of this finding can be evaluated relevant to the organizational
culture inside the firm. Within the family firms, people who are the same family may work; thus firms’ members understand each other better. This can be the precursor of sustainable high performance in near future.

- The mixing of relationship and innovation orientation may be a powerful effect upon firm’s financial and growth performance by complexity of its own. To achieve this, top level managers must specify the organizational characteristics; build a suitable infrastructure, to set a convenient policy and to choose the best employees to run this whole project. As McKeown (2008) pointed, innovation can be seen as a change in the thought process for doing something, or the useful application of inventions or discoveries. Extension of the product range and creation of new markets must be main aims of these techniques [50].

Table -5: The Effects of Relationship Orientation and Innovation Orientation on Business Performance

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th></th>
<th></th>
<th>Model 2</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>t</td>
<td>P</td>
<td>β</td>
<td>T</td>
<td>p</td>
</tr>
<tr>
<td>Trust</td>
<td>-.033</td>
<td>-.386</td>
<td>.700</td>
<td>-.116</td>
<td>-1,369</td>
<td>.172</td>
</tr>
<tr>
<td>Borders</td>
<td>.092</td>
<td>1,108</td>
<td>.268</td>
<td>.267***</td>
<td>3,310</td>
<td>.001</td>
</tr>
<tr>
<td>Communication</td>
<td>.037</td>
<td>.397</td>
<td>.691</td>
<td>-.121</td>
<td>-1,341</td>
<td>.181</td>
</tr>
<tr>
<td>Shared Values</td>
<td>-.062</td>
<td>-.996</td>
<td>.320</td>
<td>-.079</td>
<td>-1,300</td>
<td>.194</td>
</tr>
<tr>
<td>Empathy</td>
<td>-.038</td>
<td>-.501</td>
<td>.617</td>
<td>.176</td>
<td>2,342</td>
<td>.020</td>
</tr>
<tr>
<td>Innovation</td>
<td>.250***</td>
<td>5,146</td>
<td>.000</td>
<td>.335***</td>
<td>7,095</td>
<td>.000</td>
</tr>
</tbody>
</table>

p*< 0.05; p**<0.01; p***<0.001

As it’s seen on the table-5, with these findings we can assume that relationship orientation does not affect firm performance as a whole single item but two of five sub-factors. So it is not accepted the h3c hypothesis entirely. It’s out of question for the innovation; it’s only one factor and directly affects the both performance criteria. When an innovative idea requires a new business model, or radically redesigns the delivery of value to focus on the customer, a real world experimentation approach increases the chances of market success in the dynamic markets. Relations between the orientations among themselves and relations of two orientations with firm performance are shown as the following model:

Figure-2: The final model of the research
5. Discussion and Conclusion

This empirical study set out with the aim of assessing the importance of strategic orientations on the family based firms’ performance. This research will serve as a base for future studies. In the strategic management literature, as well as there are some researches who claim all strategic orientations affect positively on firm performance [51], [52], on the other hand there are some dissident researches against this approach [12], [53]. Family-owned managers need to be able to assess the orientation of their organizations in this regard, and to consider carefully whether their assessment of the situation was that intended, and whether it is appropriate to the business environment [18]. Our study suggests that an innovation orientation is beneficial for improvement of new product development activities in a transitional economy; top managers of firms should incline toward choosing innovation as their root strategic orientation. In general, our results call into question the usefulness of relationship and innovation orientations. We exposed the following instructions:

- Relationship orientation affects the firm performance through innovation orientation as an accelerator. Especially in NPD, relationship orientation is a way of improving innovation process of well-designed organizational structure.
- The examined orientations must be used together as a combination of success. Using the innovation and relationship orientations compatible with each other can be considered as a proof of this.
- It’s recommended that to specify the role of relationship orientation which don’t directly effect on to family-owned firm’s performance to the academicians working on this issue. As a special finding, we found a strong relationship both trust and borders sub-factors of relationship orientation affect the innovation orientation. A model which is designed to evaluate the sub dimensions of relationship orientation’s effects on other strategic orientations can be useful for future researches.
- The managers can use both the innovation and relationship orientations to improve efficiency and core skills of the family-owned firms. New product success rate, degree of product differentiation, first to market with new applications, high quality products or services, sales growth and customer satisfaction are some gauges to reach the firm’s vision by using different strategic orientations [54].
- With regard to management commitment and support, ability to using strategic orientations capability, it is possible that the family owned firm managers should examine the other orientations that including customer, relationship, learning and market as a new technique to achieve sustainable performance. Especially learning organizations may be a key of successful NPD and innovation process [27]. In family firms, goals related to family roles tend to be far more important than the traditional firm-value maximization goal [55]. Organizational innovation are typically linked to organizational aims and objectives, to the business plan, and to market competitive positioning. One driver for innovation programs in corporations is to achieve growth objectives. This driver can be relationship orientation although all sub-factors does not directly affect on innovation. Future research must focus on this unforeseeable conclusion. Using the capabilities of strategic orientations and key strengths of the business to figure out what to make next level is the main target for top level managers; find other ways to recognize and establish a legacy for the family-owned firm must be their main objective.

Finally, a number of important limitations need to be considered. First, family firms differ on a range of dimensions and it is possible that different types of family firms show different patterns in terms of all orientations. With a small sample size, caution must be applied, as the findings might not be transferable to nationwide. Survey data consisted of Turkish family firms and inference to other countries should be made with caution. National culture and tradition may influence especially relationship orientation, which
has implications for the generalization of our findings. In contrast, responses from more individuals within the firms would have given a more complete picture of the firm’s situation and behavior. Another important constraint includes that social science surveys of this nature are susceptible to halo effects as a consequence of the used methodology. Halo effects may arise from sampling and non-sampling errors and as mentioned in the paper, specific measures were taken to identify the source and limit such effects. The findings might have been much more reliable if the survey had been implemented in nationwide. Also our contributions to family business research open up possibilities for future researches. Further studies, which take these variables into account, will need to be undertaken these intimations.

References