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A Profile of Successful Use of the Internet among West Michigan Family Businesses

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Most business scholars agree that the Internet, which emerged as a commercial medium for both information and transactions in 1990s, has forever changed the business landscape. E-business applications support all parts of an organization's value chain, including promotion, procurement, production, recruiting, and more; and there has been a steady increase in online buying in terms of unit volume, dollar volume, and as a percent of total sales (Scheleur and King, 2003). While there is anecdotal evidence that family owned businesses (FOBs) are going online at a rapid pace (Messmer, 2000), there has only been one empirical study reported in the literature focusing on family businesses' use of the Internet (Bird et al., 2002). This study (Davis and Harveston, 2000) indicates that the use of technology within family firms influences growth and internationalization. However, how and why this occurred is uncertain.

During the spring of 2003, we conducted a study to explore family firms' use of the Internet and gain insights into successful use of Internet applications. More specifically, we sought to identify: (1) the motivations for engaging in e-business, and (2) the specific applications used by FOBs. The survey was mailed to CEOs of approximately 1,365 family owned firms in West Michigan.

Demographic and Performance Profile
The data yielded rich information about characteristics of West Michigan family firms, business performance, and e-business motivations and strategies. We received completed surveys from 211 firms, representing a response rate of approximately 15.5 percent. Of these, 202 questionnaires were usable. The sample was split about 58/42 percent between those serving industrial and consumer markets with over 70 percent serving primarily local and regional markets. The majority of local CEOs was 45–54 years old (39 percent of the sample), held at least an undergraduate college degree (58 percent), and identified themselves as the founder of the business (53 percent).

While sales revenues reportedly increased between FY 2001 and FY 2002 for slightly less than one-fourth of firms, the majority (45 percent) indicated that sales revenues had decreased over the past year. For about 30 percent of these firms, the decrease was greater than 5 percent. Similarly, for the majority of firms (58 percent), profits have either remained the same or declined over the past five years. Nevertheless, 51 percent of firms reported that they are holding on to their market share and most (85 percent) felt their firm's financial performance was about the same as or better than that of their competitors.

Why FOBs Engage in E-Business
Using a 1-5 scale where 1 = Unimportant/Not Applicable and 5 = Very Important, all respondents were asked to provide information about why their organizations decided to go online (i.e., e-business drivers). In descending rank-order of means, the results are shown in Table 1. Among the 163 firms that used the Internet for business purposes (over 75 percent of the sample), the seven highest rated reasons for being online related to marketing strategy (e.g., #1 – distribute product/company information, #2 – improve communications with customers, #3 – provide or improve customer support), followed by increase net profit, and using the Internet to acquire information. It is interesting to note, however, that only the first two attained a mean above 4.0, indicating "Somewhat Important."

Internet Applications Used by FOBs
All respondents were asked to provide information about how their firms used the Internet. A list of 114 specific applications in twenty-two categories (e.g., "Customer Order Fulfillment," "Product Information," "Recruiting") that might be used to support business activities was provided, including communicating the family dimension of the business through family histories, photographs, and stories.

The Internet application most frequently used by local FOBs in the sample was internal e-mail (90 percent). This finding is not surprising given that e-mail is one of the original and generally regarded as one of the "easiest" Internet technologies to use; it is also offered as a free service by virtually all Internet Service Providers (ISPs). On the other hand, the high usage of internal e-mail seems incongruous, given that "improve communications with employees" was rated as one of the least important motivations for using the Internet ($\bar{x}$ = 2.42, s = 1.53). Similar statements can be made with respect to using the Internet for e-mail with suppliers (81 percent). Since respondents viewed marketing-related factors as their most important e-business drivers, it follows that a majority of respondents reportedly use the Internet to provide product descriptions (86 percent), respond to customer inquiries (74 percent), provide maps and directions (71 percent), and so on, as shown in Figure 1.

E-Business Performance
Finally, usage intensity levels (grouped means) were calculated for each of the twenty-two e-business application categories. By examining the categorical intensity levels compared to the importance of e-business motivations and satisfaction with obtained results, we identified those firms that report more and less successful use of the Internet for business purposes. The results indicate that firms with low expectations are generally

Figure 1 Internet Applications

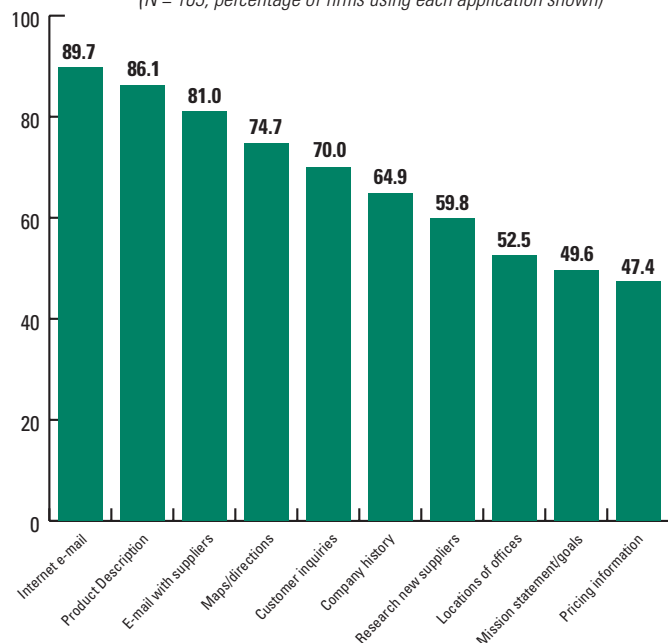*(N = 163, percentage of firms using each application shown)*

Application	Percentage
Internet e-mail	89.7
Product Description	86.1
E-mail with suppliers	81.0
Maps/directions	74.7
Customer inquiries	70.0
Company history	64.9
Research new suppliers	59.8
Locations of offices	52.5
Mission statement/goals	49.6
Pricing information	47.4

Table 1: Rank-Ordered Motivations for Engaging in E-Business
(N = 163)

E-Business Motivation	Mean	Std. Dev.
Distribute product/company information	4.09	1.21
Improve communications with customers	4.06	1.16
Provide or improve customer support	3.96	1.28
Enhance company image/brand	3.94	1.26
Generate sales leads	3.75	1.32
Gain an edge over competition	3.65	1.21
Identify new markets or customers	3.59	1.30
Increase net profit	3.38	1.52
Find information on industry or other economic data	3.33	1.35
Find information about new sources of supply	3.30	1.40
Improve marketing intelligence	3.13	1.39
Reduce administrative costs	2.82	1.42
Reduce advertising expenses for traditional media	2.81	1.44
Sell products online	2.64	1.64
Comply with requirements of a large customer or supplier	2.63	1.60
Improve communications with channel partners	2.59	1.48
Reduce direct costs of creating product or service	2.43	1.48
Improve communications with employees	2.42	1.53
Reduce shipping costs	1.98	1.29

most pleased with using the Internet to furnish information about the firm. Firms that attach higher importance levels to using the Internet are more likely to employ three additional categories of e-business applications, including (1) customer order processing; (2) supplier order processing; and (3) marketing … with mixed results. It seems clear, however, that better results (i.e., higher satisfaction levels) result from more intensive use of e-business applications.

Discussion

Family companies have often been characterized as reluctant to grow because of an approach to fiscal management that has been described as conservative and risk-averse (Gudmundson, et al., 1999; Ward, 1997). Since investments in e-business must be evaluated in terms of their impact on business performance, many organizations appear to be uncertain or divided on how effective Internet marketing is to their organizations. While the Internet offers firms the ability to ramp up marketing strategies, to inexpensively expand into new markets and seamlessly cross geographic boundaries, to expedite order processing and provide customer tracking, and to compete with much larger competitors at a relatively low cost, organizations have often ventured into the e-business world blindly, or with limited guidance. The bursting of the dot-com bubble illustrates that there is a need for organizations to better understand how to leverage Internet technologies in order to take full advantage of the power of the Internet. We hope that this study is a step in that direction.

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