

BUSINESS STRATEGIES USED BY LEADERS OF SUCCESSFUL
COMPANIES IN ORNAMENTAL HORTICULTURE

by

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Under the Supervision of Professor Barbara Y. LaCost

Lincoln, Nebraska

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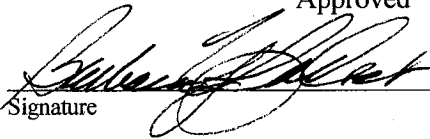
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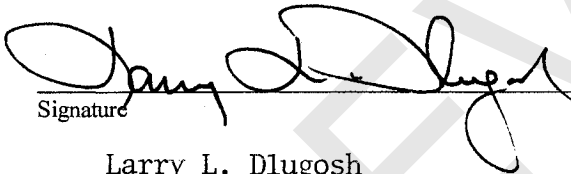
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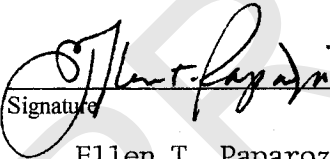
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BUSINESS STRATEGIES OF SUCCESSFUL LEADERS IN ORNAMENTAL
HORTICULTURE
A QUALITATIVE EXPLORATORY STUDY

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University of Nebraska, 2003

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The horticulture industry market has experienced growth for products and services. As demand has increased, companies have been challenged by changes in competition and by the horticultural consumer. Companies involved in horticulture, especially independently owned businesses, struggled to meet business demands and the higher level of business competency needed to be competitive.

The purpose of this study was to explore the business strategies of ten ornamental horticulture company leaders and to identify the strategies they perceived needed to be successful in the changing market environment. The grand tour question that framed this study was: What business management strategies do successful leaders of nursery and landscape garden center companies use to compete in the market environment?

Qualitative research methods were used to conduct this exploratory study. The study sample was ten company owners and/or key managers selected from 30

recommended participants. Analysis was applied to the data. Themes, sub-themes and strategies were identified from the participants' experiences.

The major findings from the study were grouped into four themes: market environment, organizational dynamics, human investment and learning. The themes were categorized by eleven sub-themes and supported by codes. The findings of the study were presented using the participant's voices.

Discussion and recommendations were presented. The strategies studied indicated the importance of clear market interpretation, professional adherence to business issues, investment into training and education of company employees and the continual improvement acquired through education and life-long learning.

An epilogue of the researcher's personal business experiences and perceptions were summarized in the last chapter.

Dedicated to all the hard working members of the horticulture industry, which make our
world a lovelier place to live.

PREVIEW

ACKNOWLEDGEMENTS

My father has been dead for almost 17 years. I remember him telling me as a teenager while getting ready for a school event, dissatisfied with my attire for the evening, that I should never try to keep up with the Jones' but instead, be the Jones'. I interpreted that to mean that it isn't about competing with others, but to be who *you* want to be. The words came back later; how important it was that I choose my own path and to do my best.

Starting out of college, to set the world on fire, I started a greenhouse and garden center business. I did not set the world aflame, but perhaps started a few brush fires along the way. I was enchanted by nature and God's beautiful creation. We have a saying around our home. "Bloom where you are planted."

After 22 years in the horticulture industry, I began a second career in academia. Three weeks into my new job, the decision was obvious that doctoral study would be the preparation necessary to bloom. GROW as an acronym, describes the similarities between plant growth and doctoral studies. G stands for grounded. First, is being grounding in the firm substance of faith, family, learning and character. R is for the "right" stuff. For plants it is fertilizer, water, sunshine and air. Learning takes the right mentors, support, determination, and will to expand the mind. O stands for the obstacles. Plants endure heat, drought, wind, weeds and an array of barriers that must be overcome. To take on another degree, 30 years out of college, meant long nights of reading, missed family events, summers away, moments of self doubt and the fight to balance work, family and school. The W is for wait. As the plant grows, we must be patient for the

bloom while cultivated with love and attention. I also wait for full bloom as my mind and spirit become all that God has intended for me.

There are very special people in my life that have enabled me to be part of this doctoral program. They have kept me grounded, supported my growth, cleared the obstacles, and patiently wait for another step in the on-going fulfillment of life.

Melvin Nolting, my husband. You have been my soul mate. In our 23 years, you have supported me without question, loving and encouraging me while I spent numerous weekends and summers away taking classes and working on papers. You never complained when stuck with laundry, meals and dishes for our three children. You consoled me through statistics, and defended me to those who could not understand why I would want to go to school at this point in my life. You always see the light at the end of the tunnel, and had faith in me that could not be seen by others, including me. Thank you, and thank God for being you.

Sarah, Andrew and Simon, my children. I missed many sporting and school events, gave you frozen pizza at 9:30 at night, and taught you early to fend for yourselves. It made me proud when you told your teachers and friends that your mom was going to be Doctor Mom. You are the best. You may be proud of your mom, but nothing in comparison to how proud I am of you.

My parents and extended family. You all have given me the foundation to succeed. As a child, you taught me Christian values, an ability to see a bigger picture, and a love for learning. You are special because you have always been there for me unconditionally. Your help and support is unsurpassed and has served as an example of quality life.

Being student in distant education courses, I was unable to be acquainted with all the educators in the Education Administration Department. However, two special people have been sources of mentoring and have encouraged me through the journey.

Dr. Barbara LaCost, my advisor. Thank you for finding the time and energy to meet with me weekly - our early morning sessions at Perkins Restaurant during summer school. I often felt a little guilt, calling you at home, on weekends, and evenings to ask yet another question. I value your expertise and patience during seemingly endless editing. I also want to thank you for being a good friend, sharing, sustaining me and enduring with me to the finish.

Dr. Marilyn Grady, my reality checker. You invited me to join your advisees to better understand the process of proposals. You recommended great books and allowed me to learn through questioning and inquiry. The group of peers, guided by your wisdom was tremendous support when I could not see the next step.

Dr. Seagren, Jim Irig, Dr. Stick, Ron Joekel, and Dr. Ellen Paparozzi. Each of you has served me as instructors, sources of information, and were great for a pat on the back, “. . . hang in there,” “. . . you’ll make it,” and the standing invitation to “call me if there is anything I can help you with.” Although there was not much face-to-face time, I sensed a genuine concern for my success as a student.

Dr. Jim Lindquist, my supervisor. You have made my work with Kansas State University very rewarding. You encouraged me to enroll in the doctoral program, helped to arrange time off for my schooling, and have been a tremendous example of academic professionalism and leadership. I admire you for the empowerment that you gave and the faith shown in my abilities.

To the horticulture industry members. Throughout my careers, the network of professionals in horticulture businesses has been my pleasure to work with. I have learned from your successes, shared your difficulties, and hope that I may give back to the industry as a resource of promotion and education.

PREVIEW

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CHAPTER 1

INTRODUCTION

Business strategies differ markedly among entrepreneurial enterprises and particularly those in the horticulture industry. Moustakas (1994, p.183) recommended autobiographical grounded experience that creates the passion and curiosity from which the question emerges. I was led to the topic of business strategy for the horticulture industry by experiences that involved both scientific skills of the discipline and the concern for the fragmented business practices that have been evident in my own company and others.

Floriculture and ornamental horticulture crops are classified as “non-edible horticulture,” or flowers, plants, bulbs, sod or turfgrass, and other related horticultural specialties that are grown primarily for ornamental or environmental purposes. The classification also includes are trees, plants, and vines that are purchased by commercial growers for food production purposes (<http://usda.manlib.cornell.edu> 1999).

The horticulture industry has historically been an easy entry business due to low capital start-up costs. “First, the capital requirements for starting a garden center are relatively low. Secondly, the success or failure of a garden center was usually more dependent on the ability of the entrepreneur than on external factors in the marketplace” (Sullivan, 1980, p. 373). Individuals that start businesses often desire to create a job for themselves and start small companies. As a result, the industry has a wide range of expertise, educational levels and degrees of professionalism. The horticulture industry in the United States has seen dramatic increases in market growth over the last 30 years.

In recent years the garden center and nursery segment of horticultural retailing have rapidly expanded and diversified. Population shifts, urban emigration and higher disposable incomes have been important in precipitating this change, and marketing practices have changed to meet the new demand pressures (Sullivan, 1980, p.372).

The revenue figures in Table 1 represent the annual amount of dollars spent at retail horticultural companies in the United States for all types of plant materials and hard lines sold. This does not include service and labor dollars related to the products.

Table 1

United States Horticulture Sales by Selected Years

1968	1998	1999 (projected)
\$4.2 billion	\$79.1 billion	\$83.8 billion

Source: Chuck Greenridge 1999, *The Nursery Retailer*. pp. 58-61.

The projected growth for the year 2000 was 6-9% beyond that of 1999. Economic Research Service in 1999 found that the value of horticulture production has grown an average of \$440 million a year since 1991. In addition, U.S. imports of greenhouse and nursery products reached \$950 million in 1996 up from \$100 million in 1995 (<http://www.usda.mannlib.cornell.edu> 1999).

Data obtained from the 1998 census annual report indicated this increase in growth has made the industry more attractive to venture capitalists as well as individuals wanting to start businesses to take advantage of expanding markets, especially in the sprawling urban communities. Retail expenditures were \$203 per capita, 37% higher than

in 1991. The report summarized that in floriculture production areas, sales increased and grower numbers were also up (<http://www.usda.mannlib.cornell.edu> 1999).

Purpose of the Study

The purpose for conducting this qualitative study was to explore the business strategies of the ornamental horticulture industry. Company owners that were highly involved in the businesses served as data sources. I used qualitative research methods to identify entrepreneurial business strategies used in leadership and management of successful companies in the nursery and landscape garden center industry. No studies have been found that investigate the business aspects of ornamental horticulture to determine what makes them successful in today's market environment. My research was focused on "a contemporary phenomenon within its real life context" (Yin, 1994, p.13). I interpreted the entrepreneurial business strategies that leading successful horticultural companies in the metropolitan area use to determine their "fit" in the external and internal business environment.

Grand Tour Question

What business management strategies do successful leaders of nursery and landscape garden center companies use to compete in the market environment?

Research Questions

The central questions for this study are:

1. What do leaders of successful companies in the nursery and landscape garden center business perceive as important for company success?
2. How do successful nursery and landscape garden center business leaders perceive the industry and their position in the external market place?

3. What business management strategies do you identify as essential to be competitive in today's marketplace?
4. How has the horticulture industry changed over the last 15 years, and what strategies have been adopted to deal with those changes?
5. How do horticulture companies transformed their organizations to achieve competitive advantage, advancement, growth and increased profits?
6. What are the consequences for companies if changed business strategies are adopted?
7. What avenues for continued education in business management are offered as effective for nursery and landscape garden centers?

Limitations

A limitation to the research was the familiarity between the researcher and the horticulture industry and its members. Efforts have been taken to ensure that the researcher remained neutral during the interview dialogue and did not influence responses by the participants. Creswell (1998) recommends that the researcher "bracket" preconceptions so as not to inject hypotheses, questions or personal experience into the study. Having been a horticulture business owner for 22 years gives a good background for the activities of the industry. The bias of the researcher was noted and will be overcome by a detailed description and interpretation of the data collected. My perceptions and personal experiences have been noted in the epilogue at the end of the study.

The focus of my research was to investigate the nursery and landscape garden center business and the beliefs and experiences held by horticulture industry members about the status quo of the industry. In addition, I explored the business strategies used by

companies that have been successful in the industry. This research began with three assumptions guided by the researcher. The first assumption is that all “reality is subjective.” The second assumption is that experience “is constructed by individuals interacting with their social worlds,” and finally, it is assumed that “truth is contextual,” adopting an inductive approach to allow “multiple voices” to emerge (Merriam, 1998, p. 6).

Significance of the Study

Horticulture companies face challenges unique to their discipline. Products are specific to location and climatic conditions vary from region to region. These conditions require the use of different products and varying times of implementation periods. The peak operational window is intense and seasonal with a struggle to execute company activities profitably year-round.

Regardless of the industry’s recent efforts to eliminate cyclical impacts, seasonality remains a factor in the garden center business. Few statistics are available on an industry-wide basis concerning monthly sales patterns in garden centers. However, studies some years ago showed that nearly half of the annual sales for a typical garden center were conducted in April and May (Report on a 1975 survey, Lawn and Garden Marketing Magazine. Intertec Publishing Corp., Kansas City, Kansas, p.379, 380).

The horticulture industry is a business, art and a science with diverse areas. Retailing, service maintenance, annual new plant and product introductions, and changing regulations on chemicals and their labeled uses make the flow of information and the need for continued updates and trend awareness a challenge for additional education and training.

The current national boom in gardening is evident of its status as a favored leisure time activity (Faulkner, 1999, pp. 15-17). The Executive Vice President of the American Nursery and Landscape Association, Robert Dolibois echoed this growth. "The overall health of the green industry is extremely strong. With gardening popularity growing, the number one pastime in America...the industry as a whole is doing great with a continued forecast of growth for the future" (Holder, 2001, p.27).

The industry has no set standard from which to model. The independently owned companies range from multi-million dollar businesses to single person companies that operate out of a truck with an answering machine. This wide range of business size may challenge the industry's credibility and public identity. The rate of business failures of new horticulture businesses mirrors the rate of 48% failed new businesses (<http://www.usda.gov/census.2000>). The number of operators in the horticulture industry in 1999 was 23,758, compared to 12,962 in 1970 (<http://www.nass.usda.gov.1998>). In spite of growth in established companies, surveys conducted in 1998 show a decrease in companies with sales of more than \$500,000. The largest gain was companies with sales of \$10,000 - \$40,000 (<http://www.usda.mannlib.cornell.edu.1999>).

The horticulture industry has a history of being a low paying business. The industry is labor intense and service oriented. With high demand for informed and trained employees, companies often find it difficult keep up with client demands and changes in the market place.

Businesses reach customers in ways that they are conditioned to respond. The companies must be able to provide reliable information to a demanding clientele. It is up to the companies to know the trends and the influences that drive purchasing decisions.

The companies not only need to be aware of current trends but must be able to anticipate the next wave of style and direction in gardening. (Faulkner, 1999, pp. 13-15).

Business strategies are the basis for creation and implementation of a framework, with the ultimate goal that companies in horticulture can develop their companies and increase their profits. The structural frameworks for business strategy connect the reality of day-to-day business operations.

Horticulture companies suffer growing pains as they oscillate between small businesses with simple structures and the commitment of resources and capabilities to become larger. Robert Fritz in his book, *Path of Least Resistance*, refers to this condition as “structural conflict.”

Fritz states that the reason most companies fail to expand is because the structures that their members create are incapable of generating the results they truly desire. “Organizations that consistently advance do so because “structural tension” dominates. Those who consistently “oscillate” do so because “structural conflict” dominates” (Fritz, pp. 9-24).

A 1998 survey conducted by Ernst & Young of 275 professional portfolio managers found that less than 10% of effectively formulated strategies were implemented successfully. The study concluded that, “...in the majority of cases, we estimate 70% of the real problem isn’t [bad strategy] ...it’s bad execution” (Kaplan, Norton, 2000, pp.12-19). Thus, management attention and actions are frequently directed at short-term operational detail, not implementation of the long-term strategy.

The purpose of business management strategies are to help the firms survive and to make money. Strategy is the direction and scope of an organization over the long term,

ideally, one that matches its resources to its changing environment and in particular its markets, customer or client so as to meet stakeholder expectations. Strategies also match the firm's activities with the available resources and capabilities that are implemented in the decision processes. Business management strategies should not be confused with business skills (e.g., bookkeeping, tax forms, insurance etc.) that can be bought by the company. Researchers have observed that managing strategy is fundamentally different from managing operations (Kaplan & Norton 2000, p.273).

The issue of improving educational outcomes is “nationally important” in both “theoretical and practical terms.” Thus, my research, “...will contribute to the solutions of some real-world problems” as well as to “add to fundamental knowledge” (Marshall & Rossman, 1998, p. 12).

Definitions

Horticulture Industry. In this study the horticulture industry are its members as individuals and as companies that provide related product and services to horticulture customers. The horticulture industry is comprised of companies that specialize in ornamental plant production, turf installation and maintenance, garden center retailers; landscape design, landscape installation and maintenance, floriculture growers and designers, fruit, nut and vegetable production and their distribution, and golf course management. This study is specific to floriculture, ornamental horticulture, and ground maintenance. These specialty areas were inclusive in the term ornamental horticulture. Excluded are golf course businesses, and fruit, vegetable and nut production. Golf course management was excluded because it also includes pro shop, clubhouse, and restaurant

management. Fruit and nut production were excluded because they are very location specific and not part of the general horticulture business population.

Management. Management is the position responsible for the formulation of operations that embrace all activities associated with planning, implementation, and evaluation of day-to-day activities. These activities enable companies to achieve realistic objectives for growth and profits.

External Environment. The external environment is one in which the organization functions as a sub-system, a set of interdependent parts that together equals the whole of the macro-environment. Each part contributes and receives something from the whole, which in turn makes up the environmental composition.

Internal Environment. The Company's internal environment influences the way decisions are made. Berry (1999) stated, "Great organizations have a soul that underlies their strategy and day-to-day operations" Seven commonly held core values are excellence, innovation, joy, teamwork, respect, integrity, and social profit. "They are interrelated and organic to the defining culture than transforms a corporation on paper into an achieving community in practice."

Professionalism. The mastery of a discipline includes both scientific information and skills combined with training and education to operate at a standard of excellence with authority, integrity and competence. Since the horticulture industry has no set criteria of standards, professionalism was defined as being an expert in the science and business of horticulture that comes with education, continued learning, and mastery of the discipline.