MARKET(ING) WISDOM DIFFERENCES BETWEEN FAMILY AND NON-FAMILY FIRMS: AN EMPIRICAL STUDY ON SMALL AND MEDIUM ENTERPRISES

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Abstract:

In today's competitive business environment, family and non-family small and medium enterprises (SMEs) striving to survive by their characteristics and strategies. Market knowledge and marketing efforts with limited resources are crucial to sustain and enhance business. In this paper, three constructs i) market orientation, ii) marketing capabilities and iii) marketing practices examine the SMEs service sector performance. The interaction effect of ownership type (family and non-family firms) also observed. The 240 SMEs' data collected from three major metropolitan cities. This study confirms the positive relationships of each constrict (market orientation, ii) marketing capabilities and iii) marketing practices) to firm performance. The interaction effect of ownership type evident on marketing capabilities and SMEs' performance. Non-family businesses are open to adopting new ideas and personnel into decision making. Family firms should be more adaptable to compete with non-family firms. The managerial and theoretical implications discussed in family and non-family firms' perspective.

Keywords: SMEs; market orientation; marketing capabilities; marketing practices; family firms; ownership type; service sector

INTRODUCTION

Businesses of the 21st century strive hard to sustain themselves and they look for the opportunities to drive the firm performance in various domains. Marketing is one such area, which is core to any business and an essential component to steer the firm performance by focusing on customers' and their needs (e.g. Bacon, 2017; Ghouri et al., 2011a). From print to electronic media, marketers try to come up with unique and innovative ways to get consumer's attention and

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generate revenue to dominate or sustain in the market (Haroon et al., 2015).

The business composition can broadly be divided into family and non-family types. Extant literature also suggest the differences in their business strategy (Acquaah, 2013), outcomes, conflicts among stakeholders (Beehr et al., 1997), corporate social responsibility (CSR) practices (Rodríguez-Ariza et al., 2017), ethics (Adams et al., 1996), agency costs (Chrisman et al., 2004), failure rate of business (Morris et al., 1997), organizational culture (Zahra et al., 2004), people management (Reid et al., 2002), portfolio restructuring (Bau' et al., 2014), and stewardship vs. stagnation (Miller et al., 2008). Also, there are studies which explain the differences in business practices of family and non-family businesses i.e. human resource, businesses goals, ethics (e.g. Adams et al., 1996; Reid and Adams, 2001; Williams et al., 2018). Recently, innovation (e.g., Hauck and Prügl, 2015; Kraiczy, Hack, and Kellermanns, 2014) and especially marketing (e.g., Binz et al., 2013; Gallucci, Santulli, and Calabrò, 2015; Zellweger, Kellermanns, Eddleston, and Memili, 2012), are the "hot topics" in family business research (Covin et al., 2016). Subsequently, there is a growing focus on integrating marketing concepts into family and non-family business studies in the extant literature.

The small-medium enterprise (SMEs) sector is a prime mover of economic undertakings; but, they face major problems, that impact their performance (Bogatyreva et al., 2017; Ghouri et al., 2018; Peou, 2009). Several studies have examined different controls and the challenges they face. However, most of the existing research has been conducted in developed countries; and so, there is a dearth of understanding about the performance of family firms from developing countries (Carney et al., 2015; Essen et al., 2015; Sabah et al., 2014). On the other hand, studies from developing countries like Pakistan within the family business realm having varied interests start emerging recently.

In Pakistan's business environment, SMEs considered as an integral tool for economical welfare e.g. reduce poverty (Saleem et al. 2011), create opportunities for employment (Malik et al. 2011), facilitate innovation (Alam, 2010). According to recent estimates, there are approximately 3.2 million business enterprises in Pakistan. Enterprises employing up to 99 persons constitute over 95% of all private enterprises in the industrial sector and employ nearly 78% of the non-agriculture labor force. They contribute over 30% to the GDP, Rs.140 billion to exports, and account 25% of exports of manufactured goods besides sharing 35% in manufacturing value added (Small and Medium Enterprises Development Authority, 2012).

While studies discuss their operating dynamics, they also reveal their challenges or constraints. Some reports specifically discuss various constraints to the business that include insufficient managerial skills (Aftab and Rahim 1986; Roomi and Hussain 1998), inability to adopt new technology or lack of technology (Hassan, Khan, and Saeed 1998; Roomi and Hussain 1998), low productivity or non-competitiveness (Bari, Cheema, and Haque 2005), lack of finance (Roomi and Hussain 1998), adverse governmental policies (Roomi and Hussain 1998), lack of social and physical infrastructure (Bari et al. 2005; Kemal 2000; Khan 1997; Roomi and Hussain 1998), and lack of small-large linkages (Aftab 1991). Astrachan et al., (2019) conducted a research on marketing and branding of the family business to gain a more nuanced understanding of their performance growth phenomenon and made a significant contribution to the family business community of this region. Earlier, research studies have been published that investigate various facets family business marketing operations (Beck, 2016; Beck and Prügl, 2018; Binz Astrachan and Botero, 2018; Binz Astrachan et al., 2018; Botero, Binz Astrachan, and Calabrò, 2018; Botero et al., 2019; Sageder, Mitter, and Feldbauer-Durstmüller, 2018; Schellong et al., 2018).

To improve the SME sector, family business players must implement the market and marketing knowledge in their real mean. While their survival largely depends on the best management practices, their failures are majorly due to weak business management or negligent practices (Peou, 2009; McMahon and Holmes, 1991). Moreover, SMEs in Pakistan are having less awareness of how to seize the available opportunities of the current system. Against this background, it is interesting to focus on the marketing dynamics of family businesses from a regional perspective that might have a massive impact on the economy as a whole (Astrachan and Shanker, 2003; Poza, 2013; Shanker and Astrachan, 1996; Weidenbaum, 1996). Therefore, we check the impact of family and non-family businesses as a moderator on market orientation, marketing capabilities and marketing practices with SME performance. Market orientation explains the understanding of the market from the perspectives of customers, competitors, and among other stakeholders. Marketing capabilities focus on the integrative processes designed to apply collective knowledge, skills, and resources of the firm to market-related needs of the business, enabling the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats (Vorhies, 1998). Marketing practices denote the level of involvement in different types of marketing by businesses. Therefore, understanding about customers, competitors and departments integrated actions, value addition and communicating marketing message creates the positive impact on business performance (i.e. Ghouri et al., 2011; Jaworski and Kohli, 1993; Vorhies et al., 1999).

Recently, researchers have suggested the academic community to focus their attention on exploring the aspects of marketing dynamics, family business, and SME business (Petru, Havlíček, and Tomaskova 2018), integrating dynamic managerial capability perspectives (Helfat and Martin, 2015; Teece, 2007), and linking these with the different search approaches undertaken by family and non-family firms (Mazzelli et al., 2019). Similarly, Tasavori, Zaefarian, and Eng (2018) recommended studying family and non-family owned SMEs of services sector with different factors and test their impact on firm performance in both domestic and international markets. Hence, this study considers markets, marketing knowledge, and marketing implementation realms to find the differences between family and non-family businesses on SMEs' performance.

Against this background, the study reveals the answer(s) to the following research questions in the context of Pakistan SMEs e.g. i) whether family and non-family SMEs offerings matching the existing demand of customers, ii) Do family and non-family SMEs have the capability to face other businesses ?, iii) how do family and non-family SMEs involve in applying marketing mix concepts and whether they gave importance to marketing as they should do, and lastly iv) is there any difference between family and non-family ownership impact on relationship of study‘s main variables. Small business owners can help themselves to fill out the opportunities which hinder in market orientation, marketing capabilities, and marketing practices, to enhance firm performance. To study the above questions, we conceptualize a model that encompasses the market knowledge with the market orientation construct, and marketing knowledge with marketing capability construct and implementation of market knowledge with marketing practices construct. Further, we check the impact of three variables on SME performance with the ownership type (family or non-family) as a moderating factor.

The finding of this study significantly contributes to the strategic decision making of family and non-family SMEs as marketing has a direct link with performance. SMEs are always striving to improve their business performance. In this regard, our finding argues for a focus on market orientation, marketing capabilities, and market practices to improve SMEs' performance. Furthermore, the proposed concept denotes that SMEs ought to develop effective marketing policies to gain the new insight necessary to explore hidden demands and create innovative value propositions (Kim and Mauborgne, 2005), which will improve the overall performance.

This research paper is presented in five sections. Followed by the introduction in Section 1, Section 2 discusses literature and hypotheses development. Section 3 discusses the methodology adopted in the study. Section 4 deliberates on results and findings. Section 5 concludes with the limitation and future scope of the study.

Literature review and hypotheses development

The resource-based view focuses on efforts to achieve a sustainable competitive advantage over time (Haedar Akib, 2003; Prahalad and Hamel, 2000; Wernerfelt, 1984) and evaluate the role of firm's resources (Barney, 1991:1986). Theoretical discussions around family business research built on a performance-oriented perspective of family firms (Chrisman et al., 2005; Chrisman et al., 2010). A firm's performance is a central concept in the area of business research because it is ultimately linked to long-term sustenance objective, which is also in the case of family and non-family firms (Miller and Le Breton-Miller, 2006; Köhr et al., 2019). For the survival and to remain in the market, in the hyper-competitive environment, organizations should know how and where to place a product, attract the customers and remain competitive. More importantly, to synchronize all these activities a firm should know how to orientate the firm employees. Altinay el al. (2016) explained that, over the years, research scholars from the marketing, highlighted the importance of market orientation. Market orientation is defined as the set of norms and values which affect the set of behaviors and activities. It is a concept that is believed to have far reaching effects on organizations as it influences how employees think and act (Javalgi et al., 2006). This has been the focus of academics and practitioners for decades as a central tenet of modern marketing science (Kotler, 1984; Webster, 1988). Cadogan et al. (2002) suggested that it can be employed more effective and useful in the face of high degrees of uncertainty. Employees act provides the foundations of business performance. Market orientation is the very heart of modern marketing management and strategy (Harris, 2001; Jaworski and Kohli, 2017; Mahmoud et al., 2016; Narver and Slater, 1990). A market-oriented firm is one, which successfully applies the marketing concept (e.g. Calisir et al., 2016; Dada and Fogg, 2016; Kohli and Jaworski, 1990). Further, in an empirical study, Zainal et al. (2018) investigated the effect of market orientation on the performance of the family business. Their finding reveals that market orientation has a direct and significant effect on the performance of the family business. It also reinforces the perspective that "market information and its dissemination and organizational response to the market are dimensions of market orientation” (Kohli and Jaworski 1990). Therefore, it can be concluded that family business needs to focus on sharpening the market orientation for improving overall business performance.

Further, extant literature argues that market orientation has a positive effect on firm performance. Qu and Ennew (2003) and Sahi et al. (2016) also confirmed the positive relationship between market orientation and customer satisfaction. Akimova (2000) studied the impact of market orientation on the competitiveness of the business and Jaworski and Kohli (2017) found the market orientation as the source of competitive advantage. Narver and Slater (1990), the pioneers of market orientation study, used the sample of 140 business units in the forests products division (non-commodity and commodity businesses) of a major US corporation; they found that the market orientation was positively linked with business profitability. They further added that business increases its market orientation will improve its market performance (e.g. Dutta et al., 2016: Narver and Slater, 1990). Market orientation helps to retain customers, which is the vital point to gain firm performance. Musa, Ramli, and Hasan (2019) conducted an empirical study to examine the effect of market orientation on family business performance in the manufacturing sector. They found that market orientation has a direct and significant influence on family business performance. Thus, it can be stated that it is the process of gathering information, dissemination of information to all members or employees to encourage mutual commitment in each organizational unit, as well as respond to changes due to customer expectations. In similar lines, Raju et al., (2011) proved that business performance is the consequence of market orientation. Zachary, McKenny, Short, and Payne (2011) posited that large U.S. firms that customer responsiveness has a positive performance impact in the family as well as in non-family family businesses. González-Cruz and Cruz-Ros (2016) explained that the performance advantages of family businesses are tied to their closely held nature where both ownership and control are often embodied in the same individual or family. On the other hand, non-family businesses usually driven by diverse knowledge about the market with de-centralized culture (i.e. Martin, McKelvie and Lumpkin, 2016; Thrassou, Vrontis and Bresciani, 2018). Therefore, we extend the concept to the family or non-family businesses and argue that market orientation is the key factor of performance for family and non-family businesses. Thus, we posit that.

Hypothesis 1: Market orientation is significant predictor of family and non-family SMEs' performance.

Firm resources have specific characteristics that can be the source of sustained competitive advantage (Barney 1991). This resource-based view of the firm is important in evaluating the different perspective of the firm (Montgomery

1994). Studies recognize firm resources as capabilities, which are the core factor of firm expansion (Rumelt, 1982; Hoskisson and Hitt 1990; Chatterjee and Wernerfelt 1991). Moreover, there has been considerable interest in the management literature focusing on developing the core competencies to enhance corporate competitiveness and performance (e.g. Momaya and Momaya, 2016; Wernerfelt, 1984). The concept of capability development and its impact on performance has been the focus of the marketing field (Vorhies, 1998). The number of research studies claim that lack of marketing capacity is an obstacle to firm performance (Clark 2009; Evans and Ilbery 1993; Ilbery 1991; Northcote and Alonso 2011; Phelan and Sharpley 2011). Marketing capability has a scope in both the external and internal fields of management (e.g. Qureshi et al., 2017; Qureshi, 2009; Xu et al., 2018). Capabilities are dynamic when they enable the firm to implement new strategies to reflect changing market conditions by combining and transforming available resources in new and different ways (Teece et al., 1997). They should be rare because competitors must find them difficult to emulate; they are complex because they are explained by several linked factors to create superior customer value. Moreover, they are tacit because they are inextricably embedded in organizational experience and practice (e.g. Johnson and Scholes, 1999; Martin, and Javalgi, 2016).

Nevertheless, marketing capabilities is linked to the marketing process that consists of analyzing market opportunities, formulating clear marketing objectives, and developing a marketing strategy that should be implemented and controlled (Kotler, 2004). It is defined "as a set of complex resources and skills in the marketing field that is the result of a process of knowledge accumulation and its integration with values and norms developed through organizational processes from all over the firm" (Tuominen et al., 1997; Pérez-Cabañero, González-Cruz, and Cruz-Ros 2012). According to Day (1994) marketing capability is the complex bundles of skills and collective learning, exercised through organizational processes that ensure coordination of functional activities. It is also an integrative process by which knowledge-based resources and tangible resources come together to create valuable outputs (Vorhies and Harker, 2000). It is developed via learning processes when the firm's employees repeatedly apply their knowledge to solving the firm's marketing problems (e.g. Moorman and Day, 2016; Vorhies and Harker, 2000).

Furthermore, the role of marketing capabilities to gain competitive advantages is widely accepted (De Sarbo et al., 2007). Prior research proves that it has its impact on performance; but, widely dependent on a firm's characteristics (Song, Nason, and Di Benedetto, 2008). In the context of SMEs, a positive correlation between marketing capabilities and firm performance is reported by Conant et al. (1993); likewise, McGee and Peterson (2000) also report a positive relationship between marketing capabilities and financial performance. Pérez-Cabañero, et al. (2012) examine the impact of marketing capabilities on firm performance in the context of family-run SMEs. Findings argue the relevance of marketing capabilities to planning and their relation to performance.

Moreover, general strategic management and marketing research suggests that firm capabilities in several functional areas lead to positive performance (Hunt and Morgan, 1996). Higher levels of marketing capabilities are expected to impact both financial and non-financial outcomes. (Martin et al., 2017; Murray et al., 2011; Narver and Slater, 1990; Jaworski and Kohli, 1993). Weerawardena (2003) concluded that that marketing capabilities influence both the innovation intensity and sustained competitive advantage of the firms. The work establishes a positive correlation between marketing capabilities and firm performance of SMEs. Day (1994) stated that marketing capabilities facilitate the relationship with customers, anticipate the changes in customer taste/ preferences, respond to those changes, enable firms to compete at any level, and managing durable relationships with customers, and channel members. Gu et al. (2008) pointed out that marketing-related capabilities' effect on various performance indicators such as market performance. Pérez-Cabañero, et al. (2012) investigated the impact of marketing capabilities on the financial and non-financial performance of family SMEs operating in the manufacturing industry. With this background, we posit:

Hypothesis 2: Marketing capabilities is significant predictor of family and non-family SMEs' performance.

Marketing education is essential for business people, which enhances the understanding of marketing concepts which lead to business success (Gunay, 2001; Rosli et al., 2018). Still, many organizations imply the strategy of mass marketing. But today's customer is demanding customers with clarity on what they want; not what businesses offer. Mass marketing is a strategy of the past and one needs to respond to consumer differences with differentiation and segmentation strategies (Jamal, 2003). Over the past three decades, marketing scholars have proposed a rationale to achieve better business performance (Coviello et al., 2006). Researchers posit that there is an existence of strong linkage between transactional marketing and business performance (Baker, 2014; Buzzell, 1999); this argument is constructed on strong empirical evidence of ways to construct a well-designed, coherent and fully integrated marketing strategy, leading to better performance (Abu Farha and Elbanna, 2018)

Marketing practice(s) appears important for critical marketing studies (Brownlie et al., 2007). They refer to the act of performing marketing activities e.g. advertising, public relations. Hoffman (2005) explained that they are the lifeblood of any organization. Based on the effectiveness of these practices businesses generate more revenue and can get competitive advantage. Review of the literature (Blombäck and Botero 2013; Kotler and Armstrong 2010) reveal that the marketing practices adopted by a business influence the performance of that business. The commonly adopted marketing practices by family SMEs include those that have a product-centricity (Pérez-Cabañero et al. 2012), consumer orientation (Binz, Hair, Torsten, Pieper and Baldauf 2013; Ntanos and Ntanos 2015; Terzidis and Samanta 2011), brand management practices (Tatoglu, Sahadev, and Demirbag, 2018), sustain competitive advantage (Affran, Dza, and Buckman, 2019), market segmentation, market orientation, and brand equity (Sheth, 2011)

Generally, small firms do not have complete resources for marketing and spend modestly on marketing expenditure and utilize a few marking techniques (Stokes 1995). Evidence suggests that their owners/managers rarely rely on formal training to improve marketing quality (Hankinson 1991). Generally, the marketing practices of small firms are informal, intuitive and focused on selling only (Mc Cartan-Quinn and Carson 2003). The use of standard marketing practice is rarely found in small firms (Stokes 1995). Hence, the high failure rate of small firms is attributed to ineffective marketing (Mc Cartan-Quinn and Carson 2003).

Concisely, Pakistan small firms are not giving importance to marketing as it should be (Ghouri et al., 2011a; Ghouri et al., 2011b). Some firm' owners think that it is an expense with the lower rate of return (Ghouri et al., 2011a). But the fact line which (Kotler and Levy, 1969) posit almost 49 years ago that "no organization can avoid marketing; the choice is on decision-makers that whether to do it well or poorly". Pakistan has a major problem in literacy so why these problems arise regarding some basics of business (Ghouri et al., 2011a). Hankinson (2000) mentioned education and skills are two of the major factors in organizational success.

Family and non-family businesses are increasingly shown to be distinct in their marketing-related resources, decisions, and actions about innovation (Covin et al., 2016). Orth and Green (2009) conducted the study on grocery stores and demonstrated that consumers evaluate family businesses as more trustworthy, with better service, but less favorable in terms of selection and price/ value. Miller, Le Breton-Miller and Scholnick (2008) exhibited the difference between the new product development between family and non-family businesses. They added that family businesses doing better in relationships with clients, than non-family businesses. The small-scale crop farmers struggling because of little knowledge of markets, particularly the marketing mix (4P's) (e.g. Datta et al, 2017; Mburu and Massimo, 2005). As Becker and Murphy (1993) developed the model and treated advertising as a complementary good, and proved that consumers may simply derive more utility from consuming a more advertised good. Effective marketing should be backed by an efficient infrastructure (e.g. Dadzie et al., 2017; Welsh and Llanes, 1996). People often purchase, just meat, but what they will be purchasing is attractively packaged, easy to prepare, nutritious, generally low in fat, environmentally natural, "feel-good meals" (Welsh and Llanes, 1996). Furthermore, multiple approaches to market planning and practices are used at different phases of the company's life (Abratt and Higgs, 1994). But, things are not working as mentioned for SMEs of Pakistan. One of the reasons is "Most companies have not achieved marketing maturity". It's a fast-changing marketing world, the customer has crossed boundaries and it's possible to purchase in Africa from Asia, and take delivery as soon as possible. They can do shopping at the park from their cell phones. It appears that the market will become more specialized than in the past due to more consumer influence and increasing expectations, and a highly segmented market (e.g. Kumar and Reinartz, 2018; Welsh and Llanes, 1996). With this background, it is assumed that marketing practice is having an impact on firm performance. Hence, we propose the following hypothesis.

Hypothesis 3: Marketing practices is significant predictor of family and non-family SMEs' performance.

Firm Ownership as Moderator

Ownership of the firm has a role in the growth of a firm. Family business strategies are explored in the extant literature and shown the different views as a non-family business. Chrisman, Chua and Sharma (2005) marked the difference between family and non-family businesses in today's global and dynamic market family firms compete with unique resources, making them different. Specifically, Tokarczyk et al. (2007) concluded the impact of the family business on market orientation. In similar lines, Zachary et al. (2011) validated market orientation measured and explored how market orientation relates to family businesses and how these relationships differ from non-family businesses. Sirmon and Hitt, (2003) indicated that family business firms must evaluate, acquire, and shed resources effectively. Several studies explore the firm ownership and their impact on business strategy (Baum, 1998; Gersick, 1997; Getz, Carlsen, and Morrison, 2004; Getz and Carlsen, 2005; Wanhill, 1997; Ward, 2016). Likewise, empirical research is attempted to determine how family involvement influences firm performance (Dekker, et al. 2015; Dyer, 2006; Miller, et al., 2007; Pindado and Requejo, 2015; Ward, 2016). Further, Teal et al., (2003) argued that younger non-family firms follow a first to market timing strategy, family firms follow an above-market pricing strategy as they age, and family firms are more likely to allocate a greater percentage of their marketing budget to mass advertising. Covin et al. (2016) posited the differences in family and non-family firms in their marketing-related resources, decisions, and actions pertaining to innovation. Orth and Green (2009) concluded that consumers evaluate family businesses better than non-family businesses in terms of service, frontline employee benevolence, and problem-solving orientation, and worse in terms of selection and price/value. Miller and Rice (1967) suggested that family involvement in the business is what makes the family business different. Family involvement even sometimes by the spouse and children of the owner or CEO influences the firm strategy (Chua et al., 1999; Powell and Eddleston, 2017). Previous studies in the family business research field proposed that governance structures affect firm performance differently than in non-family businesses (Chrisman et al. 2005). Hence, we propose that there are differences between family ownership and non-family ownership firms, which ultimately influence firm performance.

Hence, it is appropriate to explore the moderating role of ownership on market orientation, marketing capabilities, marketing practices, and firm performance, as we predict that ownership plays a crucial role in setting the firm's marketing behaviors.

Hypothesis 4: Ownership of the firm moderates the relationship between market orientation [H4a], marketing capabilities [H4b] and marketing practices [H4c], and SMEs performance.

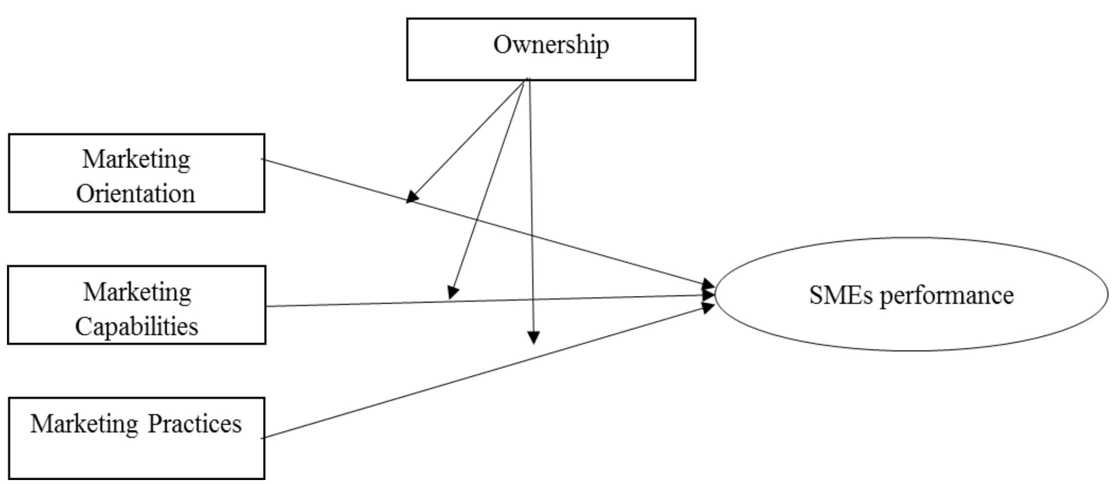

FIGURE 1. CONCEPTUAL FRAMEWORK

METHODOLOGY

The research design used in this study is a field survey with a cross-sectional (Hair, et al. 2011) approach with a random sampling technique. The SMEs of the service sector of Karachi, Lahore, and Faisalabad targeted population of the study. Karachi, Lahore, and Faisalabad considered as the hub of SMEs and 25 percent of SMEs (any firm which has less than 300 million sales volume) in Pakistan are in mentioned areas (i.e. International Labour Organization, 2016; Khurrum et al., 2008). 114 responses were collected from Karachi (47.5%), 61 from Lahore (25.42%), and 55 (22.92%) from Faisalabad. Due to less reliable information about the service sector statistics, it is assumed that service sector SMEs are more than 100,000, so according to Yamane (1967) and Hair et al. (2003) on ±5%, precision levels where the confidence level is 95% and P=.5., the sample size would be 400. The questionnaires were issued to CEOs/Directors/Marketing managers. 267 SMEs responses were received and out of that, 240 responses found valid for path analysis. We adopted SmartPLS 2.0 for data analysis.

The study was aimed to test the impact of three constructs on SMEs' performance. Marketing orientation’s fourteen (14) items were employed from Narver and Slater (1990), marketing capabilities’ twenty-three (23) items were adopted from the study of Vorhies and Harker, (2000), marketing practice variables’ twenty (20) items were from the study of Ghouri et al. (2011a), and. Five (5) items of firm performance derived from two studies: Vorhies and Harker, (2000) and Vorhies, (1998). The details of the items are in the appendix. Additionally, this study also tested the moderating effect of ownership type on all three constructs and SMEs' performance.

RESULTS AND INTERPRETATION

Table 1 indicates the results of reflective scale constructs (market orientation, marketing capabilities, and marketing practices) items’ cross-loadings, average variance extracted (AVE), composite reliability (CR) and formative scale construct (SMEs performance) t statistics. As per Hair et al. (2011), nine items of marketing orientation, ten items of market capabilities, five items of marketing practices and two items of SMEs performance removed due to < .07 factor loading for reflective scales and > 1.96 t-value for formative scale. Further, all constructs had average variance extracted (AVE) higher than 0.5, and composite reliability (CR) higher than 0.7, which indicates commonly acceptable convergent validity of measurements (Bagozzi and Yi,

1988) of reflective scales. SMEs' performance construct significance value verified by t-test as mentioned above (Fornell and Larcker, 1981). In the end, the root square of the construct AVEs (MSV) found higher than its correlation coefficients with others (Chin, 1998).

Table 1. Average variance extracted (AVE), composite reliability (CR), and cross loadings of construct measurement

Construct Items	Market Orientation	Marketing Capabilities	Marketing Practices	**AVE**	**CR**
O_CU_O1	**0.8458**	0.3416	0.2015	0.6477	0.9017
O_CU_O2	**0.8065**	0.4142	0.2913		
O_CU_O3	**0.8525**	0.3177	0.3068		
O_CU_O4	**0.7729**	0.2441	0.2245		
O_CU_O6	**0.7408**	0.122	0.3594		
C_CO_MC1	0.2441	**0.7729**	0.2245	0.6176	0.9545
C_MM_MC1	0.122	**0.7408**	0.3594		
C_MM_MC3	0.5176	**0.7779**	0.2234		
C_MR_MC1	0.2644	**0.785**	0.1278		
C_MR_MC2	0.2467	**0.8933**	0.5132		
C_PD_MC2	0.2467	**0.7023**	0.0543		
C_PD_MC3	0.4389	**0.8134**	0.1107		
C_PD_MC4	0.3679	**0. 9189**	0.0267		
C_P_MC1	0.3546	**0.7204**	0.0684		
C_P_MC2	0.3679	**0.7335**	0.0306		

C_P_MC3	0.3790	**0.7693**	0.2117		
C_RE_MC3	0.4378	**0.8268**	0.0611		
C_RE_MC4	0.3175	**0.8227**	0.2355		
P_AD_MP2	0.3845	0.2548	**0.9308**	0.7413	0.9372
P_AD_MP3	0.2903	0.1598	**0.8581**		
P_AD_MP4	0.2078	0.0874	**0.7882**		
P_DM_MP2	0.2094	0.4833	**0.8623**		
P_DM_MP3	0.2443	0.1211	**0.7298**		
P_DM_MP4	0.2193	0.0733	**0.8221**		
P_PR_MP2	0.3639	0.2455	**0.7271**		
P_PR_MP3	0.3803	0.5982	**0.9146**		
P_PR_MP4	0.2268	0.0189	**0.7923**		
P_P_MP2	0.0638	0.0284	**0.9102**		
P_P_MP3	0.3729	0.3891	**0.8264**		
P_P_MP4	0.2778	0.0994	**0.8291**		
P_SP_MP2	0.2875	0.2518	**0.8027**		
P_SP_MP3	0.2539	0.1459	**0.8659**		
P_SP_MP4	0.3921	0.0822	**0.7137**		
PER_OME_P	0.2621	0.2992	0.2117	**0.6216**	0.8259
PER_MSG_P	0.2972	0.2338	0.6350	**0.8397**	
PER_ROS_P	0.2946	0.2869	0.2962	**0.8913**	
PER_ROI_P	0.4695	05718	0.4961	**0.8503**	

Path analysis results are shown in Table 2. The results indicate the marketing orientation explained SMEs' performance by .307, marketing capabilities explained SMEs' performance by .215 and marketing practices explained SMEs' performance by .532. All the mentioned results are significant t >1.96. These results support the hypotheses 1, 2 and 3.

The interaction effects of H4a, H4b, and H4c are created by standardizing indicator values before multiplication is given this "allows an easier interpretation of the resulting regression beta for the predictor variable" (Chin, Marcolin, and Newsted, 2003). As per figure 1, the moderating effect of ownership type on the link from marketing capability (ownership type*marketing capabilities) to SMEs' performance is significant with the magnitude of .161 with t-value of 2.988, thus H4b is supported.

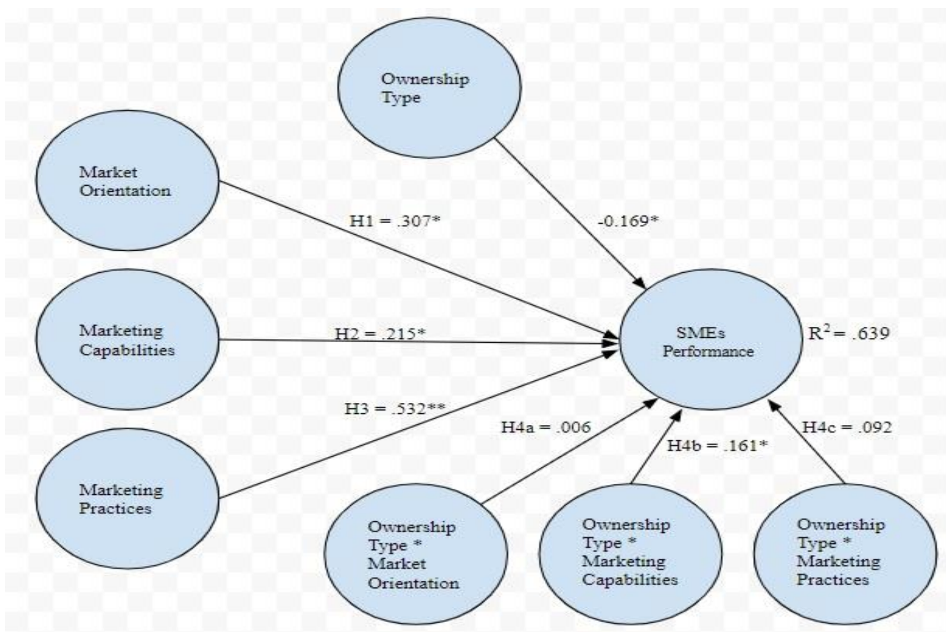

Figure 2. Structural results for hypotheses testing, R^2 values, and fit indices

Table 2: Measurement model results:

Effect	Cohen f^2	β	Mean	t-stats
MO -> SP	.211	.307	.311	3.554
MC -> SP	.214	.215	.235	2.161
MP -> SP	.594	.532	.551	6.595
OT -> SP	.102	-.169	-.152	2.485
MO*OT -> SP	.202	.006	.007	0.023

MC*OT -> SP	.000	.161	.281	2.988
MP*OT -> SP	.001	.092	.094	0.074

Note: n = 240; saturated model SRMR = 0.0597, dULS = 1.001 < HI99 = 1.453; Estimated model SRMR = 0.0643, dULS = 1.258 < HI99 = 1.729

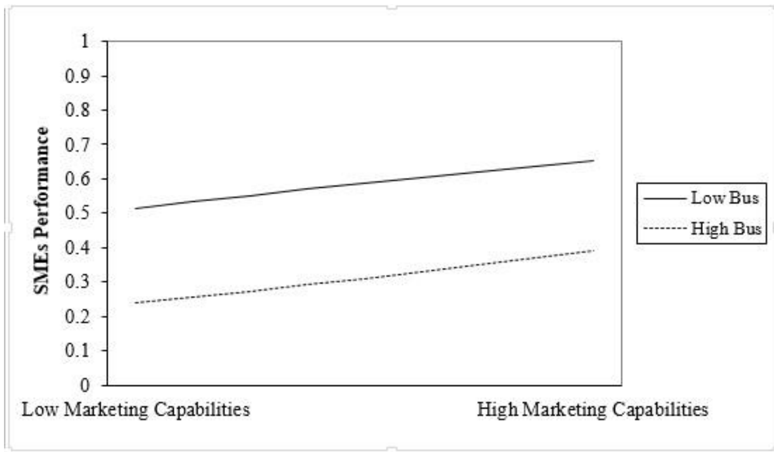

Figure 3. Two-way interaction effects for standardized variables: ownership type * market capabilities -> SMEs performance.

Low Bus = Non-Family Business, High Bus = Family Business.

DISCUSSION

The three study constructs add a new perspective on the Pakistan environment, as this research provides an idea that market orientation, marketing capabilities, and marketing practices can jointly improve the firm performance by effective use of market information trends or opportunities regarding customers and competitors and transform the information of market to apply marketing practices and build capabilities. SMEs undertaking the right steps in perspective to enhance marketing effectiveness, market share growth, sales growth, return on investment and return on sales. As per the answer to the main theme of the study, family businesses not efficiently working while adopting marketing capabilities as compared to non-family businesses. The reasons for lacking could be many. First, Ward (2016) argued that family-owned businesses never make the decision needed to ensure the vitality of their companies in an ever-changing, ever more complex world and they prefer the comfort of past visions, the safety of old routines. Second, Dunn (1995) and Sirmon and Hitt (2003) suggested that ‘familiness’ of family businesses takes precedence over other goals. Third, family businesses have often suffered attracting and retaining qualified human resources due to exclusive succession, limited potential for professional growth, and lack of perceived professionalism (Collin, 1994). Further, Davis (1993) and Chua et al. (1999) explained that family businesses are struggling to dominant condition to continue shaping and pursuing the vision due to the inability of one generation to allow the next generation room to grow and develop. Also, the term “rubber fence” of family businesses was introduced by Davis (1993) which explains that family business may become so intense. So that there is little energy left to focus out into the environment, to rebuild structures, to reset goals, and to reorganize to meet the business’s changing needs which refer.

CONCLUSION

Based on a conceptual model, this study makes an empirical connection between market orientation, marketing capabilities and marketing practices in terms of SMEs' performance. In the second stage of the proposed model, it is found that ownership type positively moderates the effect of marketing capabilities on SMEs' performance. The research provides significance inputs to the entrepreneurship literature in both theoretical and managerial perspectives.

Theoretical implications

This research extended the marketing capabilities literature by depicting that marketing capability incorporated with the non-family business performing better than family businesses. It suggests that non-family businesses anticipate market changes and unmet needs, which is consistent with the findings of Day (2011). As per Arregle et al. (2007), due to more reliance on family social capital by family businesses, therefore, we argue that non-family businesses are open to adopting new ideas and personnel into decision making. This inclusion allows non-family businesses to think according to the current environment on merit. The findings also validate the Riordan and Riordan (1993) argument that owners of small family businesses used the business to achieve family goals.

Managerial Implications

The research offers some practical implications. For family business managers, they may find a way to extract the vital and related information related to the markets. This information should enable them to generate resources (i.e. Yedder, 2018), which can deliver persistent or effective marketing efforts as a long-term investment. This would lead them to develop the value offering to the consumer. They could hire outside family talent to yield the benefit. On the other hand, they can recommend modern education to their successor(s). As a result, family businesses grow by involving the outside talent and out of the box marketing due to the exposure. As a result, there would be triggers to change the old values and hieratical system with the new requirement of 21st-century businesses. Technological adaptation or extending the businesses may also be the steps that family businesses lacking.

Limitations and Future Directions

The research of this type has some limitations. First, the study is restricted to a particular geography. Second, the respondents may have some kind of associated bias, due to a lack of an in-depth understanding of the overall questionnaire objective and contents. Third, it has a very limited size of the sampling and with the strict selection criteria, which can be treated differently in other areas. The study of this scope can be extended to future directions. A longitudinal study is recommended for studying the effects of marketing practices, marketing capabilities, and market orientation. Data at different intervals of time may offer more insights to the SMEs' performance and it can add perspective to SME sustainability and profitability. Data collection may broaden to all over the four states of Pakistan. Market orientation can employ as a mediating variable with two independent and dependent variables. As market orientation is the extension of market information and it impacts formulating marketing practices and marketing capabilities. Hence, it is interesting to explore the consequences of marketing practices and marketing capabilities on firm performance under the new variable effect.

Appendix

Descriptions of Items

(O_CU_O1) We have strong commitment to our customers.

(O_CU_O2) We look for ways to create value in our products.

(O_CU_O3) We closely monitor and assess our level of commitment in serving customers' need.

(O_CU_04) Our business objectives are driven by customer satisfaction.

(O_CU_06) We pay close attention to after sale service.

(C_CO_MC1) Advertising is a vital component of our promotional program.

(C_MM_MC1) Our abilities to segment and target market help us compete.

(C_MM_MC3) Our marketing management skills give us a competitive edge.

(C_MR_MC1) Our market research ability help us find more new customers then do our competitors.

(C_MR_MC2) Market research skills help us develop effective marketing program.

(C_PD_MC2) Our product/ service development often falls short of its goals.

(C_PD_MC3) Our product/ service development gives us an edge in the market.

(C_PD_MC4) Our product/ service development efforts are more responsive to customer needs than those of our competition.

(C_P_MC1) Our pricing approach is more effective than our competitor's.

(C_P_MC2) Our prices are more competitive than our competition's price.

(C_P_MC3) Our product/ service development gives us an edge in the market.

(C_RE_MC3) We work more closely with distributors and retailers than do our competitors.

(C_RE_MC4) Our distribution programs are vital for marketing program success.

(P_AD_MP2) One of our focuses in marketing planning is advertising

(P_AD_MP3) When dealing with business related market(s), our focus is on advertising.

(P_AD_MP4) Major lacking in marketing practice by our company isn't advertising.

(P_DM_MP2) One of our focuses in marketing planning is direct marketing.

(P_DM_MP3) When dealing with business related market(s), our focus is on direct marketing.

(P_DM_MP4) Major lacking in marketing practice by our company isn't direct marketing.

(P_PR_MP2 One of our focuses in marketing planning is public relations.

(P_PR_MP3) When dealing with business related market(s), our focus is on public relations.

(P_PR_MP4) Major lacking in marketing practice by our company isn't public relations.

(P_P_MP2) One of our focuses in marketing planning is pricing.

(P_P_MP3) When dealing with business related market(s), our focus is on pricing.

(P_P_MP4) Major lacking in marketing practice by our company isn't pricing.

(P_SP_MP2) One of our focuses in marketing planning is sales promotions.

(P_SP_MP3) When dealing with business related market(s), our focus is on sales promotions.

(P_SP_MP4) Major lacking in marketing practice by our company isn't sales promotions.

(PER_OME_P) Overall marketing effectiveness.

(PER_MSG_P) Market share growth.

(PER_ROS_P) Return on sales.

(PER_ROI_P) Return on investment.

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