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**Research Article**

# Market Orientation (Mo), Strategic Flexibility (Sf), And Organizational Improvisation (Oi): A Path To Business Performance

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**ABSTRACT**

SMEs in developed economies exceed the boundaries of developed economies due to their productivity, innovativeness, innovativeness and flexibility. SMEs in developing countries struggle to survive and thrive due to lack of implementation, traditional practices and lack of innovation. SMEs in the country face significant challenges in achieving sustainable economic growth; there are approximately 3.8 million SMEs registered in Pakistan. This study shows that MO and SF affect firm performance in competitive markets. Additionally, organizational improvisation was also considered as moderating variable in this study. The results showed that MO, SF, and OI had a significant and positive impact on the business performance of family SMEs in manufacturing industry of Pakistan. OI has a positive and negative relationship between MO, SF, and business performance. The findings of this study are useful in developing general guidelines for SME business performance for managers/owners of family SMEs, policy makers and regulators. When examining the performance of family SMEs, research should consider how the success of financing and planning will affect their longevity

**Keywords:** Market orientation, strategic flexibility, organizational improvisation, Business Performance, intelligence generation, intelligence dissemination, responsiveness, and triple bottom line.

## Introduction

The concept of internationalization in the domain of SMEs has been well documented in literature as digital transformation and globalization facilitate the SMEs to trade across the boarders (Deng & Zhang, 2018). The SMEs in developing countries usually work in an unstable business environment with different types of obstacles because of the absence of regulatory framework. These problems can be varied, for example, they can be related to performance and survival, the succession planning problems, the access to finance issues, the need to improvise in the traditional manufacturing processes, the lack of flexibility and the insufficient technical support. In contrast, customers now ask for change immediately because of the new innovations. Sustainable business is an essential component of small and medium enterprises in the world economy of today. SMEs have always been a part of the business world, but the rise of financial markets brought in new challenges for maintaining their performance (Dolz et al., 2019).

Recent studies have confirmed that SMEs are unable to seize opportunities in domestic and foreign markets due to globalization and globalization (Borch & Batalden, 2015; Heirati et al., 2016). If SMEs and SMEs cannot access various other opportunities for their users' goods, the change and complexity of the business environment will pose a threat to the stability of the business (Dominguez & Mayrhofer, 2017). SMEs in developing countries should pay attention to the innovation process and business trends. They need to join forces with potential companies to gain competitive advantage and business stability (Ko & Liu, 2017). Literature shows that family businesses around the world, especially in developing countries such as Pakistan, face business stability, flexibility, and OI issues (Haseeb et al., 2019; Bokhari et al., 2020).

Recent research has confirmed that OI poses a business development challenge for SMEs (especially family businesses), and we know that people have different views on having a family and money (Bokhari et al., 2020).

To have a successful business, family-owned SMEs need to change and respond better in these difficult times, especially during the pandemic. Additionally, MO can offer SMEs the ability to perform well. Academics have written extensively on the financial impact of sustainable employment and access to finance. Financial resources are considered an important component of SMEs success (Aymen et al., 2019).

### 1.1 Significance of SMEs in Pakistan

The contribution of small and medium enterprises, especially domestic enterprises, indicates a decline in the economy since the last decade, affecting Pakistan's overall exports and job growth. Similar indicators include the Ease of Doing Business and Global Entrepreneurship Index, where Pakistan was ranked 120th compared to 137 businesses in 2016, where Pakistan was ranked 141st compared to 191 businesses. It has also been observed that other developing economies in Asia, especially in South Asia, have achieved good growth compared to Pakistan (GEDI, 2018). In addition, in recent years, due to the economic crisis, SMEs have faced survival problems and threats, and many SMEs have ceased to exist in the last 15 years (Abidin et al., 2015; Ismail et al., 2014).

Family business survival is also affected by other factors and requires a comprehensive plan that includes SF (Suleman et al., 2018). Family businesses often use traditional business methods; hence affecting their growth, development and survival. For organizations, SF is essential to ensure their survival, business stability and growth in a competitive market. Many of these impacts are unpredictable, and as a result, companies are forced to find changes or re-evaluate their operations for continuous improvement. Continuous improvement and innovation keep the company in the market and guarantee competitive advantage. On the other hand, businesses will have to act quickly, proactively and reactively to capture business opportunities and respond to business threats.

In developed countries such as Pakistan, family businesses operate according to the traditional model and serve only the local market. However, due to the lack of suitable MO, family businesses cannot be included in the local economy. Since the rapid development of international trade and international business is important for small organizations, it is important to see that the business has many opportunities for growth in business expansion. In this way, MO is the most important factor to consider for distribution. This is a common practice in economic development and international economic growth (Diamantopoulos & Winklhofer, 2001). SFM and SMO family SMEs need financial support to survive.

New ideas about OI capabilities are often created in response to the needs of economic change, as developing countries continue to rapidly catch up with new and different ideas. Most developing countries use improvisation as a strategy to create new products in the market (Luo et al., 2011). Although there are some studies on the contribution of OI in emerging markets, the results are not clear. Table 1 reports the contribution of manufacturing sector SMEs (**see annexture 1**). The recent statistics by economy survey of Pakistan indicate that contribution of SMEs in total exports of Pakistan is indicate a decreasing trend. Table 2 report the manufacturing sector contribution in total exports (**see annexture 1**).

## 1. Theoretical Framework and Hypothesis Development

However, a broad and growing interest in the technologies are witnessed and methods which are used to deal with the factors of inequality and environment that are social, economic and ecological It is equally known that these problems and challenges have been around for a while and they will continue to increase as the scientific community, professionals and world leaders continue to discuss their existence (Dees, 2007; Sheehan, 2009; Sánchez-Mendiola, Kieffer-Escobar, Marín-Beltrán, Downing, & Schwartz, Small enterprises and their performance were perceived as a kind of leverage to overcome the mentioned problems. However, social entrepreneurship, which is the leading and central theme of the studies, literature, throughout its history is mainly focused on how it can be presented or described (Defourny et al., 2001; Dees, 2007).

### 2.1 Triple bottom line (TBL)

In the past, the financial performance of the company was the main benchmark for measuring company's overall success. Nevertheless, the financial performance by itself is considered a thing of the past and the concepts of environmental performance and corporate social responsibility are the ones that are nowadays taken as the criteria of success (Marti et al., 2015; Wiengarten et al., 2017). The Triple Bottom Line (TBL) principle draws its foundation from the conventional accounting model, wherein a company's evaluation encompasses three aspects: financial, social and environment. TBL theory measure the performance based on three Ps: the triple bottom line is well known and accepted in the field of sustainable business practices (Elkington, 2013; Marti et al., 2015; Matthews et al., 2019).

The concept of performance has been around literature for over a long time and has been recognized by scholars, academicians, and environmentalists. They have advocated for different perspectives on the concept of performance (McEntire, 2005; Vaaland et al., 2008; Chang, 2016). The main idea of TBL is to look at the Performance by finding out what effects the organization's actions have on the world. It is not only about the financial gains and the interests of the shareholders, but also about the effect on the social, human and environment resources (Kumar, 2013).

### *2.1.1 Social Performance*

The family businesses/ SMEs are the ones who have a positive influence on the social bottom line and therefore are the ones that are responsible for the society at large. This dimension covers different aspects such as place, community, rights of humans, welfare of people, safety of employees, quality of life, social connection and resources, health and other social resources (Matthews et al., 2019). The social aspect of Business Performance is also well correlated with family-run SMEs which also contribute to economic performance (Dawson et al., 2020).

### *2.1.2 Economic Performance*

Economic indicators normally use traditional standards to define the purpose of businesses, which is to maximize the wealth of their shareholders. This target is sometimes perceived as a basic principle that guarantees a steady cash flow (Liang et al., 2018). Previous research indicates that the family-owned firms are more oriented at long-term survival than short-term objectives (Lumpkin et al., 2010). Profit making is the key purpose of business organizations, as it enables them to remain operational and manage their day-to-day activities (Sroufe & Gopalakrishna-Remani, 2019).

### 2.1.3 Environmental Performance

From a point of view of environmental bottom-line, it is all about natural resources exploitation and how company operations can be damaging for the environment. This possible impact comprises issues like water and air quality, use of biological resources, energy use, and waste production induced by toxic or solid wastes (Chamberlain, 2019). Companies can use them to analyze the environmental effect of their operations and change the policies to reduce it.

The performance concept, as a matter of fact, has been around for a long time and is well-known in scientific works. The performance concept has been approached by experts who are scholars, academicians and environmentalists in a number of ways (McEntire 2005; Vaaland, Heide & Grønhaug 2008; Chang 2016). Environmentalists, scholars, and academicians and determine the consensus on TBL's definition by the prior literature (Abubakar, 2014; Shashi et al., 2018).

Performance of financial indicators was the main way to evaluate how well the company was doing in the past. While the old view which has seen the financial performance as the only measure of success, the concept of corporate social responsibility and environmental performance have changed things (Marti et al., 2015; Wiengarten et al., 2017). The TBL concept utilizes the conventional accounting model to assess the effectiveness of enterprises across three key areas: organizational, social, and environmental.

### 2.2 Strategic Flexibility and Business Performance

The environmental bottom-line reflects how natural resources are consumed and how the company's processes, production, and operations may generate environmental impacts. This prospective impact covers the area of water and air quality, consumption of biological resources, energy consumption, and emission of toxic and solid waste (Chamberlain, 2019). Organizations can exploit these factors to develop knowledge of the environmental effect of their operations and then they can make a decision to change their policies.

The concept of performance is not new and has been a matter of concern in academic writings for a long period of time. Scholars, academicians, and environmentalists are among the experts who have given several ways of approaching the concept of performance (McEntire, 2005; Vaaland et al., 2008; Chang, 2016). Performance, scholars, and academician, and give the relationship between the definition of TBL (Abubakar, 2014; Shashi et al., 2018). Before, financial performance was considered the most important metric to measure the performance of a company. Nevertheless, the growing popularity of the CSR and sustainable development concepts is now considered as a more advanced measure (Marti et al., 2015; Wiengarten et al., 2017).

**H1: There is a significant association between strategic flexibility Business Performance.**

### 2.3 Market Orientation and Business Performance

MO is a type of marketing which is more customer oriented is the main theme of MO (Arrigo, 2018). Theories in the MO domain deal with the theoretical foundation, the construction of the definition and the measurement of the instrument to test the relationship between the MO and the firm's performance (Kiessling et al., 2016).

In addition to this, the concept of MO is not the same for all sectors and firms that work in hypercompetitive environment should, as a rule, follow a reactive MO in order to understand the issue of the customers/consumers and give solutions to them (Leal-Rodríguez et al., 2018). On the other hand, firms that keep away from the competitive environments need to follow a proactive MO.

The concept of MO has been considered as a main element in contemporary businesses and obtaining more attention from both practitioners and academic researchers (Severi Bruni and Verona, 2009). In addition, there is still a lack of clear-cut definition in the area of globalization, which is very evident in internationalization (Racela et al., 2007).

### H2: MO is significantly linked to BP.

The process by which management carefully examines customers in the market to determine their basic needs and wants is called intelligence generation. Business intelligence also depends on different business processes such as business environment, competition, technology and government regulations. These activities require business intelligence that enables company management to understand the needs and wants of future customers and the key points involved in meeting the needs.

**H2a: Intelligence generation is significantly linked to Business Performance**.

The process of sharing information about customer needs and business information is called intelligence sharing. An important aspect of intelligence dissemination is the involvement of all parts of the organization. Prior studies of Jaworski & Kohli (1990) shows that communicating business intelligence to key departments of the organization is crucial for the management of the company as it allows the organization to adapt to market needs.

**H2b:** Intelligence dissemination is significantly linked with business performance.

There must be a management response to the intelligence received from the business, and this response depends on the decision of all activities and actions in the organizational response to disseminate and develop the idea. The role of each company in anticipating customer needs is important because the company has a wide range of support such as store selection, creation and distribution of goods and services, and market distribution.

**H2c:** Responsiveness is significantly linked with business performance.

### 2.4 Organizational Improvisation and Business Performance

OI is defined as the integration of knowledge based on processes and procedures, solving problems and issues in real time, and grounded in reality. OI can also be viewed as an understanding-based process or action for the production process, rather than a theory of change and thinking. SF-based OI helps organizations be effective in changing business and meet customer needs and wants to achieve sustainable business (Chakraborty & Biswas, 2020).

In Moorman and Miner's work from 1998, we find an illustration of the emerging landscape in business management. Mintzberg's study in 1979 sheds light on the realm of learning innovation, while Vera and Crossan's research in 2005 delves into the topics of innovation and organizational evolution. However, the data at hand fails to elucidate the connection between performance and performance (Arshad & Hughes, 2009). However, number of studies indicate a moderatoring or indirect association (Vera & Crossan, 2005). The literature, however, asserts that Open Innovation (OI) stands as a crucial strategy for securing performance in both direct and indirect relationships (Hmieleski et al., 2013).

**H3: OI significantly linked to BP.**

A successful plan requires specific communication skills, ideas, knowledge or understanding, general decision making, leadership and business (leadership, culture and tradition) for successful people (Daley, 2020). As early literature confirms, the transfer of tacit knowledge is important for survival and business performance, especially for SMEs (Cardoni et al., 2020). Additionally, the literature shows that knowledge transfer is considered the management of tacit knowledge and leads to organizational improvisation, thus contributing to the business (Ibidunni et al., 2020). It shows that approximately 63% of SMEs are expected to grow due to their inability to manage OI due to lack of planning (ThomasNet, 2014). Additionally, research shows that approximately 80% of respondents between the ages of 45 and 65 plan to retire within this decade but have not yet made a decision (ThomasNet, 2014). Moreover, the economic performance of small and medium-sized enterprises is influenced by production changes resulting from the emergence of new technologies. This highly competitive environment requires researchers to adjust and adjust their work to suit the situation (Kamasak et al., 2019). SF helps SMEs adapt to “rapid change” and cope with business uncertainty. This is also beneficial for SMEs in creating and sustaining time and creativity (Dunford, 2013).

**H4: The OI moderates the relationship between MO and BP.**

**H5: OI moderates the relationship between SF and BP.**

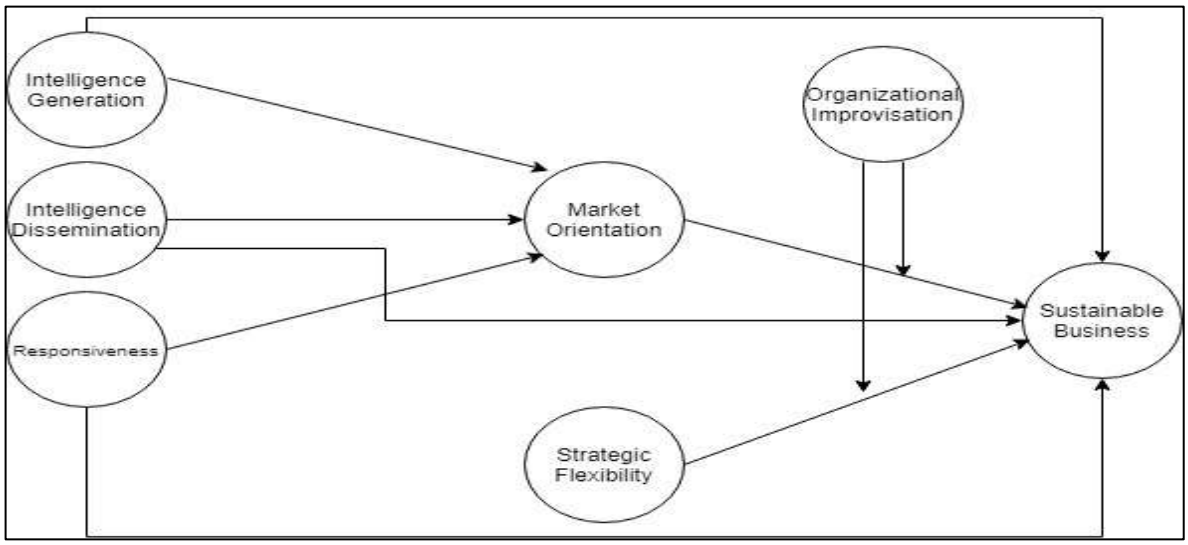


**Figure 1:** *Theoretical Framework*

## 2. Methodology

Considering the main research purpose of this study, structural equation modeling is the most appropriate method, while the observation-based method is the most appropriate, especially in terms of data collection. In this study, the surgical instruments sector in Pakistan will be evaluated and small and medium-sized family businesses operating in the surgical instruments sector in Pakistan will be considered as the target of this study. According to the interviewees, managers/owners were seen as representatives of the company. This study was adapted MO scale from existing literature (Lee et al., 2015), SF (Arshad et al., 2018), OI (Arshad , 2011), and Business Payment (Pislaru et al., 2019). A simple technique based on simple random sampling was used in this study. A total of 4,788 companies were registered in Pakistan's surgical industry using simple random sampling technique based on the concept of good faith. Use G's power calculator to estimate the minimum standard deviation of valid values. According to the G* power calculator the minimum standard is 134. After taking the survey, a total of 389 responses were received and 379 were finally analyzed, resulting in a 56% response.

## 3. Results and Discussion

The PLS-SEM technique is being followed by the present study using the SmartPLS 3.2.9. When it comes to evaluating both the measurement and structural model, the PLS-SEM is the most fitting statistical method (Hair et al., 2020). The PLS-SEM does not require the normality assumption. In addition, the majority of survey studies' datasets do not conform to the assumption of normal distribution (Hair et al., 2017). Testing for multivariate normality is suggested by the literature as a necessary step prior to evaluating measurement and structural models (Cain et al., 2017). According to Mardia's definition, the threshold values indicating departure from multivariate normal distribution are +1 for skewness and +20 for kurtosis (Mardia, 1974). The results of multivariate normality were reported in table 1.

**Table 1:** Multivariate Normality

| | Skewness | SE_skew | Z_skew | Kurtosis | SE_kurt | _kurt |
|---|---|---|---|---|---|---|
| **BP** | -1.514 | 0.124 | -12.235 | 2.389 | 0.247 | -2.804 |
| **OI** | -0.642 | 0.124 | -5.189 | -0.193 | 0.247 | -0.781 |
| **MO** | -0.997 | 0.124 | -8.06 | 0.191 | 0.247 | -0.047 |
| **SF** | -1.024 | 0.124 | -8.276 | -0.012 | 0.247 | 0.772 |
| **Mardia's multivariate skewness and kurtosis** | | | | | | |
| | | **b** | | **z** | | **p-value** |
| **Skewness** | | 6.11 | | 396.164 | | 0.000 |
| **Kurtosis** | | 38.15 | | 3.714 | | 0.000 |

### 4.1. Demographics

The demographics of respondents facilitate in understanding the respondents and expected outcomes. The demographics of the current study include size, age, and education of respondents. The size is further categorized according to the number of employees. The age of respondents varies from 21 to above 61. Most of the respondents fall in the range of 41-60. The level of education range from middle to master degree. The results of table 3 indicate that most of the respondents have a Junior School certificate.

**Table 3:** Demographics of respondents

| | | Frequency | Percent | Cumulative Percent |
|---|---|---|---|---|
| **Size** | 1-50 employees | 97 | 25.60 | 25.60 |
| | Scissors | 29 | 30.08 | 30.08 |
| | Retractors & holding instruments | 20 | 20.33 | 50.41 |
| | Forceps | 21 | 21.95 | 72.36 |
| | Laboratory accessories | 12 | 12.2 | 84.55 |
| | Wound closure | 9 | 8.94 | 93.5 |
| | Cutting & manipulators | 6 | 6.5 | 100 |
| | 51-100 employees | 123 | 32.45 | 58.05 |
| | Scissors | 18 | 14.6 | 14.6 |
| | Retractors & holding instruments | 29 | 23.6 | 38.2 |
| | Forceps | 39 | 31.7 | 69.9 |
| | Laboratory accessories | 17 | 13.8 | 83.7 |
| | Wound closure | 9 | 7.3 | 91 |
| | Cutting & manipulators | 11 | 8.9 | 100 |
| | 101-150 employees | 87 | 22.96 | 81.01 |
| | Scissors | 14 | 16.12 | 16.12 |
| | Retractors & holding instruments | 9 | 10.75 | 26.88 |
| | Forceps | 17 | 19.35 | 46.24 |
| | Laboratory accessories | 13 | 15.05 | 61.29 |
| | Wound closure | 20 | 22.58 | 83.87 |
| | Cutting & manipulators | 14 | 16.12 | 100 |
| | 151-200 employees | 43 | 11.35 | 92.36 |
| | Scissors | 7 | 15.21 | 15.21 |
| | Retractors & holding instruments | 7 | 16.3 | 31.52 |
| | Forceps | 9 | 20.65 | 52.17 |
| | Laboratory accessories | 7 | 17.39 | 69.57 |
| | Wound closure | 6 | 14.13 | 83.7 |
| | Cutting & manipulators | 7 | 16.3 | 100 |
| | 201-250 employees | 29 | 7.65 | 100 |
| | Scissors | 6 | 20.69 | 20.69 |
| | Retractors & holding instruments | 5 | 17.24 | 37.93 |
| | Forceps | 4 | 13.79 | 51.72 |
| | Laboratory accessories | 7 | 24.14 | 75.86 |
| | Wound closure | 4 | 13.79 | 89.66 |
| | Cutting & manipulators | 3 | 10.34 | 100.00 |
| **Age** | 21-40 Years | 112 | 29.54 | 29.54 |
| | 41-60 Years | 149 | 39.28 | 68.82 |
| | 61-above | 118 | 31.18 | 100 |
| **Education** | Middle to Junior School | 196 | 51.62 | 51.62 |
| | High School to DAE | 112 | 29.54 | 81.16 |
| | Graduation to Masters | 71 | 18.84 | 100 |

**Table 4** reported the mean, standard deviation, and correlation matrix of all the measured constructs. The values of the correlation matrix indicate all the measured constructs have a positive relationship. According to the correlation matrix, the relationship between independent and dependent variables was according to theory and literature. The findings of the correlation matrix enable us to proceed for reliability and validity assessment and testing of the hypothesis using the structural equation modeling technique.

**Table 4:** Correlation efficient, Mean, and Standard deviation

| | Mean | SD | BP | IG | ID | RES | MO | SF | OI |
|---|---|---|---|---|---|---|---|---|---|
| **BP** | 3.90 | 0.04 | 1.00 | | | | | | |
| **IG** | 3.70 | 0.05 | 0.19 | 1.00 | | | | | |
| **ID** | 3.20 | 0.07 | 0.78 | 0.60 | 1.00 | | | | |
| **RES** | 2.50 | 0.17 | 0.79 | 0.65 | 0.60 | 1.00 | | | |
| **MO** | 3.10 | 0.27 | 0.70 | 0.71 | 0.88 | 0.88 | 1.00 | | |
| **SF** | 3.90 | 0.24 | 0.71 | 0.61 | 0.37 | 0.47 | 0.42 | 1.00 | |
| **OI** | 3.50 | 0.31 | 0.73 | 0.65 | 0.43 | 0.41 | 0.37 | 0.61 | 1.00 |

** BP= Business performance, IG= Intelligence Generation, ID= Intelligence dissemination, Res= Responsiveness, MO= Market orientation, SF= Strategic Flexibility, OI= Organizational Improvisation

## 4.2 Convergent validity

### *4.2.1 Reliability and Validity*

Convergent validity includes assessment of reliability & validity, and assessment of discriminant validity. The reliability and validity assessed based on the item's loadings with the cut-off value of 0.50, Cronbach alpha with the cut-off value of 0.70, rhoA with the cut-off value of 0.70, composite reliability with cut-off value 0.70, and average variance extracted with the cut-off value of 0.50 (Rahman, Amran, Ahmad, & Taghizad, 2015). The results of convergent validity were reported in tables 5 and 6.

**Table 5: Convergent Validity**

| Constructs | Items | Loading | Cronbach | rhoA | CR | AVE |
|---|---|---|---|---|---|---|
| **Business Profitability** | BP1 | 0.94 | 0.940 | 0.946 | 0.946 | 0.886 |
| | BP2 | 0.95 | | | | |
| | BP3 | 0.92 | | | | |
| | BP4 | 0.93 | | | | |
| | BP5 | 0.88 | | | | |
| | BP6 | 0.73 | | | | |
| | BP7 | 0.63 | | | | |
| | BP8 | 0.85 | | | | |
| | BP9 | 0.81 | | | | |
| | BP10 | 0.74 | | | | |
| | BP11 | 0.81 | | | | |
| | BP12 | 0.82 | | | | |
| | BP13 | 0.88 | | | | |
| | BP14 | 0.71 | | | | |
| | BP15 | 0.77 | | | | |
| | BP16 | 0.68 | | | | |
| | BP17 | 0.67 | | | | |
| | BP18 | 0.72 | | | | |
| | BP19 | 0.72 | | | | |
| | BP20 | 0.69 | | | | |
| | BP21 | 0.74 | | | | |
| | BP22 | 0.70 | | | | |
| | BP23 | 0.54 | | | | |
| | BP24 | 0.65 | | | | |
| | BP25 | 0.66 | | | | |
| | BP26 | 0.49 | | | | |
| | BP27 | 0.48 | | | | |
| | BP28 | 0.78 | | | | |
| | BP29 | 0.77 | | | | |
| | BP30 | 0.74 | | | | |
| | BP31 | 0.72 | | | | |
| | BP32 | 0.82 | | | | |
| | BP33 | 0.24 | | | | |
| | BP34 | 0.35 | | | | |
| | BP35 | 0.88 | | | | |
| **Intelligence Generation** | MIG1 | 0.86 | 0.730 | 0.745 | 0.745 | 0.677 |
| | MIG2 | 0.88 | | | | |
| | MIG3 | 0.95 | | | | |
| | MIG4 | 0.86 | | | | |
| | MIG5 | 0.92 | | | | |
| | MIG6 | 0.85 | | | | |
| **Intelligence Dissemination** | MID1 | 0.84 | 0.777 | 0.801 | 0.843 | 0.737 |
| | MID2 | 0.84 | | | | |
| | MID3 | 0.83 | | | | |
| | MID4 | 0.82 | | | | |
| | MID5 | 0.40 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | MID6 | 0.41 | | | |
| | RESP1 | 0.74 | | | |
| | RESP2 | 0.83 | | | |
| | RESP3 | 0.86 | | | |
| **Responsiveness** | RESP4 | 0.80 | 0.709 | 0.710 | 0.806 | 0.657 |
| | RESP5 | 0.76 | | | |
| | RESP6 | 0.48 | | | |
| | SF1 | 0.79 | | | |
| | SF2 | 0.80 | | | |
| | SF3 | 0.86 | | | |
| | SF4 | 0.82 | | | |
| | SF5 | 0.86 | | | |
| **Strategic Flexibility** | SF6 | 0.72 | 0.818 | 0.782 | 0.819 | 0.604 |
| | SF7 | 0.77 | | | |
| | SF8 | 0.49 | | | |
| | SF9 | 0.34 | | | |
| | SF10 | 0.81 | | | |
| | OI1 | 0.71 | | | |
| | OI2 | 0.89 | | | |
| | OI3 | 0.90 | | | |
| | OI4 | 0.88 | | | |
| **Organizational Improvisation** | OI5 | 0.74 | 0.872 | 0.886 | 0.899 | 0.631 |
| | OI6 | 0.78 | | | |
| | OI7 | 0.80 | | | |
| | OI8 | 0.43 | | | |

Dropped due to low factor loading

## 3.3. Discriminant Validity

The most recent literature reveals the shortcomings of Fornell-Larcker (1981) for the assessment of discriminant validity. Recent literature criticizes the Fornell-Larcker criteria for the assessment of discriminant validity. The present study uses the alternative measure for the assessment of discriminant validity using the Heterotrait-Monotrait (HTMT) technique. There are two schools of thought in defining the cut-off value of HTMT. The strict criteria proposed by the Kline (2011) with the cut-off value of 0.85 while lenient criteria proposed by the (Gold et al., 2001) with the cut-off value of 0.90. The results of discriminant validity were reported in table 6.

**Table 6:** Discriminant validity

| **Variables** | **BP** | **IG** | **ID** | **RES** | **MO** | **SF** | **OI** |
|---|---|---|---|---|---|---|---|
| **BP** | | | | | | | |
| **IG** | 0.165 | | | | | | |
| **ID** | 0.139 | 0.190 | | | | | |
| **RES** | 0.214 | 0.416 | 0.116 | | | | |
| **MO** | 0.467 | 0.417 | 0.472 | 0.247 | | | |
| **SF** | 0.754 | 0.659 | 0.659 | 0.334 | 0.315 | | |
| **OI** | 0.753 | 0.172 | 0.657 | 0.435 | 0.313 | 0.471 | |

Note: **BP**= Business profitability, **IG**= Intelligence Generation, **ID**= Intelligence dissemination, **RES**= Responsiveness, **MO**= Market orientation, **SF**= Strategic Flexibility, **OI**= Organizational Improvisation

## 3.4. Structural Model Assessment

### *3.4.1. Testing Model Fit*

Before proceeding to hypothesis testing, there is a need to test the model fit based on the three parameters: SRMR, NFI, and exact model fit. The SRMR is based on the observed and implied correlation matrix and the threshold value is 0.08 (Henseler, 2017). The NFI is based on the Chi-square computed based on the proposed model and compared with the benchmark and the threshold value 0.90 and above. The assessment of the precise model fit considers the empirical covariance matrix and the implied covariance matrix derived from the composite factor model, as well as the value of insignificant variables ($p > 0.05$) (Dijkstra, & Henseler, 2015; Henseler, 2016). The value of SRMR was 0.027 (<0.08), and the value of NFI was 0.981 (>0.90). Furthermore, d_ULS and d_G indicate the data fit the model well.

### *Hypothesis Testing*

Research results show that SF, MO and OI have a positive and significant impact on the business performance of family SMEs (β = 0.721, t = 3.43, p<0.01; β = 0.921, t = 2, 99, p<0.01; β = 0.721, t = 0.01; = 0.178, t = 3.18, p<0.01), the significance is 5%. The results of this study conclude that H1, H2, and H3 are accepted. The results of the current study are consistent with previous studies showing that SF has positive and positive effects on the business performance of small and medium-sized enterprises (SMEs) (Chan, Ngai, & Moon, 2017; Bokhari, Mohamad, & Zakaria, 2020). Moreover, recent literature has also confirmed that MO affects the operational performance or Business Performance of SMEs (Arshad, Zakaria, Abdul-Kadir, & Ahmad, 2018). Moreover, OI is considered important to achieve high performance in a competitive environment, especially in developing countries (Arshad et al., 2015; Hodgkinson et al., 2016; Liu et al., 2018).

The research results of the structural equation model of technology show that intelligence generation, advertising and response can effectively affect business stability (β=0.867, t=13.73, p<0.01; β=0.554, t=10.13, p. <0.01, β=0.551, t=10.83, p<0.01). Therefore, the findings support H2a, H2b, and H2c. The current study shows that the relationship between MO, SF, and Business Performance may be affected by OI. Research results show that OI is effective and has a positive impact on the relationship between MO and Business Performance (β = 0.35, t = 11.67, p<0.01). The relationship between MO and Business Performance shows a positive and significant relationship. However, OI supports this relationship. Similarly, OI significantly moderates the relationship between SF and Business Performance (β = 0.21, t = 5.25, p<0.01). The findings show that SF has a positive and positive relationship with job stability. The presence of osteogenesis imperfecta strengthens this relationship. Therefore, H4 and H5 are accepted. The findings were reported in table 7.

**Table 7:** Testing of Hypothesis

| | | Mean | S. D | T Statistics | P Values |
|---|---|---|---|---|---|
| **H1** | Strategic flexibility -> Business Performance | 0.721 | 0.21 | 3.43 | 0.00 |
| **H2** | Market orientation -> Business Performance | 0.921 | 0.31 | 2.99 | 0.01 |
| **H2a** | Intelligence Generation -> Business Performance | 0.867 | 0.06 | 13.73 | 0.00 |
| **H2b** | Intelligence Dissemination -> Business Performance | 0.554 | 0.05 | 10.13 | 0.00 |
| **H2c** | Responsiveness -> Business Performance | 0.551 | 0.05 | 10.83 | 0.00 |
| **H3** | Organizational improvisation -> Business Performance | 0.178 | 0.05 | 3.18 | 0.00 |
| **H4** | SF*OI -> Business Performance | 0.350 | 0.03 | 11.67 | 0.00 |
| **H5** | MO*OI -> Business Performance | 0.210 | 0.04 | 5.25 | 0.00 |

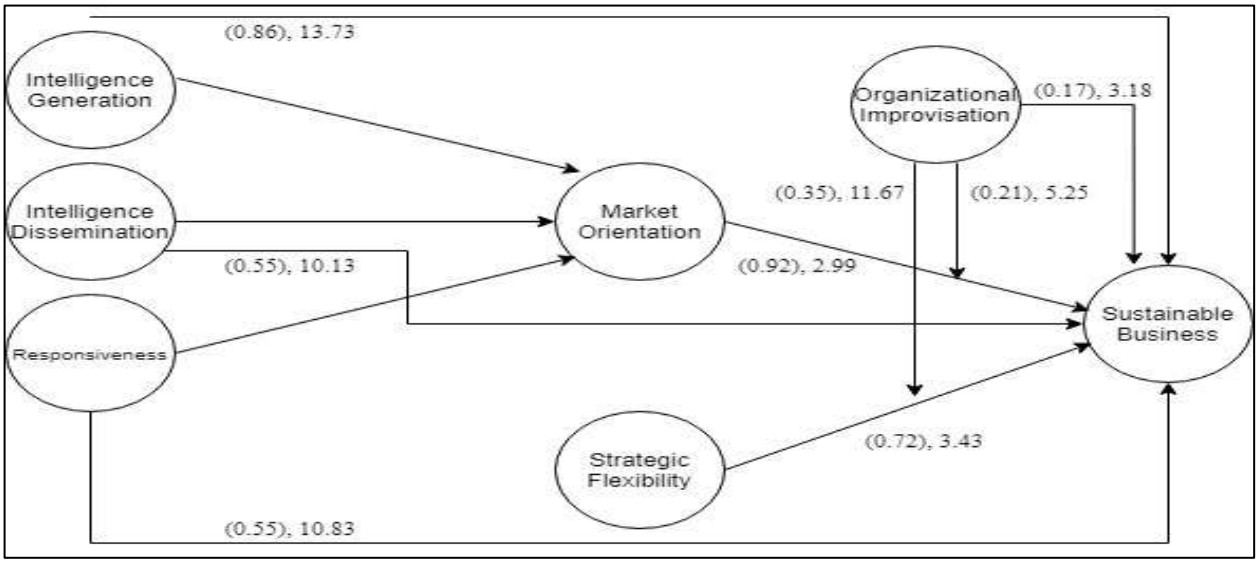


**Figure 2:** *Bootstrapping Results*

## 4. Discussion and Conclusions

The current study considered the MO and SF as a predictor of Business Performance and OI as a moderating variable. The current study considered triple bottom line theory as underpinning theory and the unit of analysis for testing the proposed theoretical model was family-owned SMEs from the surgical instrument industry of Pakistan.

Furthermore, the current study assesses the impact of dimensions of MO on business performance. The empirical findings present study indicate that SF positively and significantly influences the Business Performance (β =0.721, t=3.43, p<0.01). Moreover, MO positively and significantly influences the Business Performance (β =0.921, t=2.99, p<0.01), in addition to that all the dimensions of MO indicate a positive and significant association with business performance of SMEs (β =0.867, t=13.73, p<0.01; β =0.554, t=10.13,

p<0.01; β =0.551, t=10.83, p<0.01). OI positively and significantly influences the Business Performance of SMEs (β =0.178, t=3.18, p<0.01). Furthermore, OI positively and significantly moderates the association between SF, MO, and Business Performance of family-owned SMEs (β =0.21, t=5.25, p<0.01; β =0.35, t=11.67, p<0.01).

The findings of this study will be useful for management organizations, including business units, to understand its importance and implement appropriate measures to enhance the success of SMEs. The current study will assist managers and policy makers in developing a framework for the economic growth of SMEs.

Future research can test the current research model on other South Asian economies to confirm the results of the current study. In addition, succession planning should be included in future research as it is an important factor affecting the performance of family businesses. Future research should also consider the role of access to finance in developing countries where SMEs are still struggling. The current study concludes that family SMEs should consider SF, MO, and OI to achieve sustainable business in a competitive business environment

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## Annexture 1

**Table 1:** Contribution of SMEs in the Manufacturing sector

| Description | | | Statistics |
|---|---|---|---|
| **Units** | | | 38 million |
| | Industrial Units | | 800,000 |
| | Service Sector | | 1,200,000 |
| | Commercial and retail shops | | 1,800,000 |
| **Value** | Contribution to GDP | | 40 Percent |
| **Employment Generation** | Labor | | 80 percent of total labor in the manufacturing sector) |
| **Stratification** | Household Units (usually operated by family members) | | 160,000 manufacturing units |
| | Small Units (unusually operated with less than 10 employees) | | 265,000 manufacturing units |
| | Medium units (Usually operated with less than 250 employees) | | Approximately 2 million manufacturing units |
| **Location** | **Urban** 41 % of total manufacturing unit | Household | 78 % of manufacturing units |
| | | Small/ Medium | 22 % manufacturing units |
| | **Rural** 59 % of the total manufacturing unit | Household | 47 % of manufacturing units |
| | | Small/ Medium | 53 % manufacturing units |

Source: (Baig, 2019)

**Table 2:** Contribution of manufacturing sector in total exports ($ million)

| **Particulars** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017/18** | **2018/19** |
|---|---|---|---|---|---|---|
| Carpets, Rugs & Mats | 106.5 | 102.6 | 74.0 | 55.8 | 50.7 | 50.6 |
| Sports Goods | 290.4 | 271.9 | 234.6 | 201.8 | 202.8 | 222.4 |
| Leather Tanned | 439.3 | 407.9 | 267.7 | 221.4 | 212.3 | 187.9 |
| Leather Manufactures | 520.5 | 498.2 | 396.4 | 338.0 | 349.5 | 358.7 |
| Surgical Goods & Medical Instruments | 284.9 | 284.1 | 262.7 | 221.8 | 248.8 | 279.6 |
| Engineering Goods | 255.6 | 188.7 | 134.3 | 110.8 | 125.6 | 126.5 |

**Source:** *Economy Survey of Pakistan (2013-2018)*