SELECTED MARKETING AND BRANDING PRACTICES AMONG SMALL AND MEDIUM-SIZED FAMILY BUSINESS IN THE EASTERN CAPE

BY

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I

DECLARATION

I, Bianca Richardson 212217062, hereby declare that the content of this dissertation for a Masters of Commerce entitled “Selected marketing and branding practices among small and medium-sized family business in the Eastern Cape” is my own work, and that it has not previously been submitted for assessment of any postgraduate qualification at another university or for another qualification.

__________________

Bianca Richardson
December 2016
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ABSTRACT

Based on the importance of small and medium-sized family businesses, with regard to their economic contributions, as well as the fact that their high failure rates limit their ability to positively contribute to the economic growth of South Africa, this study focused on selected marketing and branding practices of South African family SMEs, and whether these practices influence their financial performance and ultimately their survival. Against this background, the primary objective of this study was to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape.

An overview of the literature was provided whereby the nature and importance of SMEs, and more specifically family SMEs, were described. The various challenges SMEs face were explored, with marketing and branding being identified as one of the main challenges that contributes to the high failure rate of family SMEs. In addition to the marketing challenges faced by non-family SMEs, family SMEs face extra marketing hurdles, given the overlapping subsystem of family and business. However, despite these challenges, family SMEs are able to make use of their familial aspect by marketing and branding the business as family-owned.

A positivistic research paradigm and quantitative research methodology was adopted for this study, using a descriptive research approach. The primary data collection procedures involved selecting the population, the sample, sampling techniques, and sample size. For the purpose of this study, the population consisted of all family SME owners operating within the borders of the Eastern Cape province. From the population, a sample was selected using both judgemental and convenience sampling. A total of 500 questionnaires were distributed, which resulted in 325 usable questionnaires, giving an effective response rate of 65.00 per cent.

Given the cross-sectional nature of this study, a survey research method using a structured, self-administered questionnaire was used to collect the primary data. The scales used to measure the factors under investigation were developed based on previous research. In order to assess the validity of the ordinal scales, tests for unidimensionality were undertaken. Only factor loadings exceeding the 0.5 cut-off point were considered significant. Not all the items loaded as expected. Only five of the original six items intended to measure the dependent variable *Perceived financial performance* loaded onto this factor. The researcher, together with two
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experts in the field of marketing and family businesses, deemed the items for the dichotomous questions to show evidence of content validity.

The reliability of the ordinal scales was assessed by calculating Cronbach’s alpha coefficients, whereby coefficients greater than 0.7 were deemed a scale to be reliable. Cronbach’s alpha coefficients of greater than 0.7 were returned for all the factors measured using ordinal scales, except one factor namely Customer service differentiation. This factor was not considered for any further statistical analyses. The reliability of the dichotomous questions was assessed using the Kuder-Richardson Formula 20 (K-R 20). For the purpose of this study, Kuder-Richardson values greater than 0.5 deemed the dichotomous questions to be reliable. Kuder-Richardson values of greater than 0.5 were reported for the dichotomous items relating to Branding of the family name, but not for Marketing function. However, given that the questions were used for descriptive purposes only, the items measuring Marketing function were used for statistical analysis.

The independent variables returned mean scores of between 3.220 and 3.773, with the majority of respondents feeling neutral or agreeing with the statements measuring these factors. The dependent variable Perceived financial performance returned the highest mean score of all the factors with the majority of respondents agreeing with the statements measuring this factor. The dichotomous questions relating to the Marketing function indicated that majority of respondents did not have a written marketing strategy or a separate department that deals with marketing for their family business. The dichotomous questions relating to Branding of the family name revealed that in most instances the family name (surname) does not appear in the name, brand, logo or advertising material of the family business.

Most of the independent variables (Promotion of family business, Family business image and Stakeholder perception) reported significant and positive relationships with each other. The independent variable Perceived financial performance reported significantly positive relationships with two independent variables, namely Product differentiation and Family business image. The multiple regression analyses undertaken revealed that only one of the independent variables, namely Product differentiation, had a significant positive influence on the dependant variable Perceived financial performance. This study found that the independent
variables *Promotion of family business* and *Family business image* did not have a significant influence on the dependent variable *Perceived financial performance*.

The results of the two single regression analyses revealed that a significant positive linear relationship exists between *Stakeholder perception* and *Promotion of family business*, as well as between *Stakeholder perception* and *Family business image*. The findings of the analysis of variance found that *Number of employees* was the only demographic variable that exerted a significant influence on *Product differentiation*. The results also indicated that *Age of respondent*, *Generation ownership* and *Nature of family business* had an influence on *Promotion of family business*. However, the post-hoc Scheffé test revealed that only *Generation ownership* had a significant influence on *Promotion of family business*. The analysis of variance also found that the demographic variables *Age of respondent*, *Generation ownership* and *Number of employees* exerted a significant influence on *Family business image*; however, the post-hoc Scheffé found that only *Generation ownership* had a significant influence on *Family business image*.

Based on the findings of this study, numerous recommendations were proposed to assist the owners of family SMEs to ultimately improve their business's financial performance by adopting appropriate marketing and branding practices. The findings of this study showed that by adopting a *Product differentiation* competitive orientation, family SME owners can enhance their financial performance. It is hoped that the findings of this study will provide family SME owners with practical suggestions on how to use a product differentiation competitive orientation to ultimately increase their longevity, and that the suggestions for future research will inspire future researchers to continue investigating the unique marketing and branding practices of family SMEs.

**KEY WORDS:**

- small and medium-sized business
- family business
- marketing
- branding
- customer service differentiation
- product differentiation
- promotion of family business
- family business image
- stakeholder perception
- perceived financial performance
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1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Internationally, small and medium-sized enterprises (SMEs) are recognised as the backbone of the global economy as they are able to stimulate innovation, eradicate unemployment, combat poverty and create sustainable economy growth (Makakane 2014; Olawale & Garwe 2010:729). In addition, SMEs account for almost 95 per cent of all businesses globally, and employ more than half of the private-sector workforce (Filipe, Grammatikos & Michala 2016:112; Hogeforster 2014:241; Kalak & Hudson 2016:135; Ramayah, Ling, Taghizadeh & Rahman 2016:150).

The contributions of SMEs in South Africa are also well recognised. In South Africa, there are approximately 2.4 million SMEs contributing more than 50 per cent to the country’s Growth Domestic Product (GDP) (Herrington & Kew 2013:30; Mahembe 2011:9). In response to the growing importance of SMEs, governments around the world have responded by taking action to make it easier for SMEs to prosper in competitive markets, with South Africa being no different (Cohen 2015; Edinburgh Group 2012:6). The South African government has reaffirmed its commitment to SMEs by establishing the Department of Small Business Development (DSBD) in 2014 and by investing in numerous initiatives such as the Small Enterprise Development Agency (SEDA) and the Small Enterprise Financing Agency (SEFA). The objective of SEDA is to stimulate and promote growth within the SME sector (Maye 2014:3; The Department of Trade and Industry 2014:96; Thulo 2014), whereas the primary objective of SEFA is to increase the accessibility of finances to SMMEs, and also to provide financing for the SMME sector (SEFA 2014:3).

Although the contributions of SMEs are well recognised, it is less known that majority of SMEs are, in fact, family businesses. According to Visser and Choloane-Tsoka (2014:427), family businesses account for almost 65 per cent of all SMEs in developing countries. South Africa as a developing country is no different, given that 80 per cent of all SMEs in South Africa are
considered family-owned. As family businesses are synonymous with SMEs, there is a predisposition to use the two terms interchangeably (Ackerman 2001:325; Hnatek 2015:342; Lancaster 2012:1; Venter & Farrington 2009:135; Visser & Chiloane-Tsoka 2014:428).

Various authors (Lancaster 2012:1; Murphy & Lambrechts 2015:34; Van Buuren 2007:2; Venter & Farrington 2009:145; Visser & Chiloane-Tsoka 2014:428) emphasise the importance of family SMEs by highlighting their contribution in terms of employment. In South Africa, family businesses provide employment for up to 75 per cent of the labour force, often employing unskilled workers (De Witt 2014:33; Farrington 2009:64). Thus, the importance of family SMEs should not be underestimated, especially given the important role South African family SMEs play in the economic growth of the country (Basco 2015:259; Kaunda & Nkhoma 2013:157; Visser & Chiloane-Tsoka 2014:427).

Despite the significant role of SMEs, including family SMEs in the growth and economic prosperity of South Africa, more than 70 per cent of SMEs fail within their first year of operation and more than 90 per cent within the first ten years of operation (Olawale & Garwe 2010:730; Peyper 2013; Van Scheers 2011:5048). Like SMEs, family businesses face similar high failure rates (Benavides-Velasco, Quintana-Garcia & Guzman-Parra 2011:54; Price, Stocia & Boncella 2013:1). Various authors (Kaunda & Nkhoma 2013:158; Tetteh 2008:2) agree that family businesses often face distinctive challenges that hinder their success rate and contribute to their high failure rate. Internationally, a staggering 70 per cent of family businesses do not survive beyond the first generation. In other words, only 30 per cent of family businesses are expected to survive to the second generation (Hnatek 2015:344; Kaunda & Nkhoma 2013:158; Lam 2011:508). In South Africa, it is estimated that most family businesses will fail within the first five to ten years of operation (Nieman 2006:40; Tanzwani 2010:2). Moreover, it estimated that only 25 per cent of family businesses will be passed onto the second generation, while fewer than 14 per cent will survive beyond the third generation (Venter, Boshoff & Maas 2005:284). Both family and non-family SMEs are thus faced with various internal and external challenges that contribute to their high failure rate (Hnatek 2015:344; Megginson, Byrd & Megginson 2003:15; Ward 2011:3).

The high failure rate of family and non-family SMEs is often attributed to a lack of capital, inadequate managerial and financial expertise, ineffective cash flow management and a lack of
marketing skills shown by their owners (Gordhan 2011; McCartan-Quinn & Carson 2003:204; Olawale & Garwe 2010:731; Terzidis & Samanta 2011:67). SME owners frequently lack the understanding and necessary skill to carry out various marketing activities. According to various researchers (Cant & Wiid 2013:707; Nieman & Nieuwenhuizen 2009:36; Stokes & Wilson 2010:356; Terzidis & Samanta 2011:67), SMEs also do not perform adequate market research regarding the size and needs of the market, resulting in SMEs supplying products and services for which there is no sustainable need in the market. Furthermore, SMEs have limited financial resources available for marketing purposes, resulting in them adopting a unique approach to marketing. This approach can be described as informal, unstructured, spontaneous, simple, and reliant on intuitive ideas and common sense (Ahmad & Saber 2015:3; Cronin-Gilmore 2012:97; Ntanos & Ntanos 2014:154; Terzidis & Samanta 2011:67).

In addition to the aforementioned marketing challenges, family businesses are often associated with distinctive challenges, given the additional aspect inherited by this unique form of business, namely family (Hnatek 2015:344; Kaunda & Nkhoma 2013:157; Lam 2011:508; Ward 2011:3). Various researchers (Nieman 2006:41; Poza 2010:7; Venter & Farrington 2009:147; Ward 2011:3) are of the opinion that family business failure is attributed to the challenges that arise as a result of the overlapping and interdependent subsystems of family, management and ownership. Thus, the coexistence of both family and ownership gives rise to unique challenges including, but not limited to, sibling rivalry, nepotism, ineffective communication, competition between family members, as well as the absence of succession planning (Carlock & Ward 2001:3; Nieman 2006:41; Schimieder 2014:82; Danes & Stafford 2011:94; Poza 2010:13).

Even though Zachary, Danes and Stafford (2013:543), as well as Taruwinga (2011:3), agree that the interaction between the various subsystems (family, management and ownership) hinder family business longevity, Botero and Blombäck (2010:1), Craig, Dibrell and Davis (2008:354), as well as Zellweger, Kellermanns, Eddleston and Memili (2012:239), are of the opinion that family businesses can use the family subsystem as a marketing tool to enhance businesses longevity. As a result, marketing could play a vital role in the success of family and non-family SMEs (Astrachan & Astrachan 2015:5; Bosch, Tait & Venter 2011:590; Craig et al. 2008:351).
According to several authors (Ghodeswar 2008:4; Kotler & Armstrong 2010:221; Kotler & Keller 2011:126; Pride & Ferrell 2006:338), the importance and value of marketing lies in its ability to develop unique brands by positioning products and services in the minds of consumers that provide them not only with a competitive advantage over rivals, but also generate positive customer response and customer loyalty.

All businesses, whether family owned or not, are required to build a distinct business brand and image, especially if these businesses wish to thrive in the highly competitive global and South African market (Ghodeswar 2008:5; Howell-Price 2011; Llopis 2014). Several authors (Carrigan & Buckley 2008:657; Chirico, Ireland & Sirmon 2011:487; Craig et al. 2008:364; Micelotta & Raynard 2011:200; Pijanowski & Hack 2013:41) are of the view that family businesses are in a fortunate position, in that they can utilise their familiness as a stepping stone to develop a family business brand.

Although literature (Blombäck & Craig 2014:437; Craig et al. 2008:352; Zellweger et al. 2012:239) suggests that family businesses can leverage their familiness to develop a unique business brand, numerous theoretical and empirical gaps exist regarding the marketing practices of family SMEs. In addition, little is known about the premise of marketing and branding a business as family owned, and how this influences business performance, or more specifically financial performance (Craig et al. 2008:352). Therefore, the focus of the current study is on the marketing and branding practices of family SMEs.

This chapter will commence by highlighting the problem statement, purpose of the study, as well as the primary, secondary and methodological research objectives. Thereafter, the research questions and hypotheses, the research design and methodology, as well as the scope and contribution of the study will be discussed. This chapter will conclude with definitions of key concepts, and an overview of the remaining chapters will be presented.

1.2 PROBLEM STATEMENT

Despite the important contribution of both family and non-family SMEs to the South African economy, these businesses face numerous challenges that contribute to their lack of longevity. According to van Scheers (2011:5048), more than 70 per cent of SMEs fail within their first
year of operation. Given that family businesses account for almost 80 per cent of SMEs in South Africa, high failure rates are also expected among family businesses (Kaunda & Nkhoma 2013:158; Terzidis & Samanta 2011:67; Tetteh 2008:2; Venter & Farrington 2009:135). There are numerous reasons for the high failure rate, including a lack of entrepreneurial education, managerial skills as well as a lack of marketing skills (McCartan-Quinn & Carson 2003:204; Olawale & Garwe 2010:731; Van Biljon 2014; Van Scheers 2011:5049). Even though family businesses are faced with unique marketing challenges and opportunities as a result of the involvement of the family in the business (Hnatek 2015:344; Kaunda & Nkhoma 2013:157; Lam 2011:508; Terzidis & Samanta 2011:66; Ward 2011:3), research suggests that family businesses are in an advantageous position to leverage family involvement to develop a unique family-based brand identity, which can improve the longevity of family SMEs (Sundaramurthy & Kreiner 2008:426; Zellweger et al. 2012:240). Astrachan and Astrachan (2015:5) as well as Craig et al. (2008:351) concur that family businesses may benefit from promoting their family business status.

Existing research among family businesses has primarily however focused on topics such as succession planning, sibling rivalry and governance within family businesses. As such limited information is available on the marketing and branding practices of family SMEs (Benavides-Velasco et al. 2011:41; Craig et al. 2008:354; Krappe, Goutas & Von Schlippe 2011:38; Pounder 2015:116; Zachary 2011:27). Craig et al. (2008:35), as well as Zellweger et al. (2012:239), concur that more in-depth research is required regarding how family business marketing and branding practices can influence their business performance, and their financial performance in particular. Thus, in light of the critical importance of family businesses with regard to their economic contributions as well as their high failure rates, the problem statement of this study is that little is known about the selected marketing and branding practices of South African family SMEs, and whether these practices influence their financial performance and ultimately their survival.

1.3 PURPOSE OF THE STUDY

Although family business studies have progressed significantly over the past decade, researchers are still primarily bound to a limited number of topics, leaving many general issues relating to family businesses unexplored, including the selected marketing and branding
practices of family businesses (Craig et al. 2008:354; Krappe et al. 2011:38; Lindow 2013:477; Pounder 2015:116; Zachary 2011:27). Therefore, given the importance and lack of information pertaining to marketing and branding in family SMEs in South Africa, the purpose of this study is to gain greater insights into these practices and the influence thereof on the financial performance of family SMEs operating in the Eastern Cape. Greater insights could lead to improved marketing and branding practices in these businesses, and could ultimately enhance their business performance and longevity.

1.4 RESEARCH OBJECTIVES

In the following section the primary and secondary research objectives will be presented.

1.4.1 Primary objective

The primary objective of this study is to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape.

1.4.2 Secondary objectives

In order to address the primary objectives of this study, the following secondary objectives (SO) have been formulated:

SO¹ To investigate the influence of selected marketing and branding practices on the *Perceived financial performance* of family SMEs;

SO² To investigate the influence of *Stakeholder perception* on the use of “family” in selected marketing and branding practices among family SMEs;

SO³ To investigate the relationship between selected demographic variables (*Age of the owner*, *Generation ownership*, *Tertiary qualification of the owner*, *Number of employees*, and *Nature of the family business*) and the selected marketing and branding practices adopted by family SMEs.
1.4.3 Methodological objectives

In order to achieve the above-mentioned primary and secondary objectives, the following methodological objectives (MO) have been identified:

MO\(^1\) To undertake a theoretical investigation into the nature and importance of both family and non-family SMEs, as well as the nature and importance of marketing and branding in general and in family SMEs in particular;

MO\(^2\) To propose a hypothesised model that reflects the relationships between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) and dependent variable (Perceived financial performance);

MO\(^3\) To propose a hypothesised model that reflects the relationships between the independent variable (Stakeholder perception) and dependent variables (Promotion of family business and Family business image);

MO\(^4\) To determine the appropriate research methodology to address the identified research problem and research objectives;

MO\(^5\) To develop an appropriate measuring instrument that will be used to empirically test the relationships between the independent and the dependent variables;

MO\(^6\) To source primary data from a predetermined sample of family SMEs in the Eastern Cape, and to statistically analyse the data, as well as test the proposed hypotheses;

MO\(^7\) To provide conclusions and recommendations based on the findings of this research, which could assist the owners of family SMEs to ultimately improve their business’s financial performance by adopting appropriate marketing and branding practices.

1.5 PROPOSED HYPOTHESISED MODELS AND RESEARCH QUESTIONS

In this section, the two hypothesised models will be presented, followed by a discussion of the research questions and hypotheses.
1.5.1 Proposed hypothesised models

Given the primary objective of this study two hypothesised models are proposed. Figure 1.1 illustrates the hypothesised relationships between the independent variables (*Customer service differentiation*, *Product differentiation*, *Promotion of family business* and *Family business image*) and the dependent variable (*Perceived financial performance*), whereas Figure 1.2 illustrates the hypothesised relationships between *Stakeholder perception* and selected marketing and branding practices (*Promotion of family business* and *Family business image*). Both models are based on a literature review identifying numerous variables relating to the marketing and branding practices of family SMEs (Astrachan & Astrachan 2015:5; Craig *et al.* 2008:362; Flören, Jansen & Berent-Braun 2015:105; Zellweger *et al.* 2012:248).

**Figure 1.1: Proposed hypothesised Model 1: The relationship between selected marketing and branding practices among family SMEs and Perceived financial performance**

![Diagram of Model 1: Proposed hypothesised model](Image)

Source: Researchers’ own construction
1.5.2 Research questions

Based on the problem statement, primary, secondary and methodological objectives of this study, as well as the aforementioned hypothesised models, the following research questions are posed:

a. Are the selected marketing and branding practices investigated in this study (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) utilised by family SMEs?

b. Do the selected marketing and branding practices investigated in this study (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) influence the Perceived financial performance of a family SMEs?

c. Does Stakeholder perception have an influence on the use of “family” in selected marketing and branding practices (Promotion of family business and Family business image) of family SMEs?

d. Do particular selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) relating to the family business, and its owners, influence their approach to family business marketing and branding?
1.5.3 Research hypotheses

As depicted in Figure 1.1 and Figure 1.2, the following hypotheses have been formulated in order to test the relationships proposed in the hypothesised models:

H^1_a: There is a positive relationship between the use of a *Customer service differentiation* competitive orientation and the *Perceived financial performance* of family SMEs.

H^1_b: There is a positive relationship between the use of a *Product differentiation* competitive orientation and the *Perceived financial performance* of family SMEs.

H^1_c: There is a positive relationship between *Promotion of family business* and the *Perceived financial performance* of family SMEs.

H^1_d: There is a positive relationship between *Family business image* and the *Perceived financial performance* of family SMEs.

H^2_a: There is a positive relationship between *Stakeholder perception* and *Promotion of family business*.

H^2_b: There is a positive relationship between *Stakeholder perception* and *Family business image*.

In order to investigate the influence of selected demographic variables on the dependent variable, *Perceived financial performance*, the following null hypotheses are formulated:

H^0_1_a: There is no relationship between the selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) investigated in this study and family SMEs using a *Customer service differentiation* competitive orientation.

H^0_1_b: There is no relationship between the selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) investigated in this study and family SMEs using a *Product differentiation* competitive orientation.

H^0_1_c: There is no relationship between the selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) investigated in this study and *Promotion of family business*. 
There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Family business image.

There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Stakeholder perception.

1.6 RESEARCH DESIGN AND METHODOLOGY

In order to successfully address the research objectives of this study, the research is divided into two categories, namely secondary and primary research.

1.6.1 Literature review (Secondary research)

Secondary data is data that is not directly gathered, but is already available. In other words, secondary data is data that has already been gathered and recorded by someone else, other than the user, for an alternative reason than the current research (Boone & Kurtz 2015:316; Collis & Hussey 2014:59; Kadam, Shaikh & Parab 2013:5; Struwig & Stead 2013:82). Sources of secondary data include annual reports, journal articles, newspaper articles, government publications and business reports (Struwig & Stead 2013:82; Wilson 2010:170).

In order to achieve the primary objective of this study, the secondary research of this study will consist of an extensive literature review in order to identify and describe the nature and importance of marketing and branding in general, and family SMEs in particular. The secondary research of this study will be conducted by consulting a variety of relevant textbooks and well-known journal articles on marketing and branding among family businesses, such as Blombäck and Craig (2014), Craig et al. (2008), Micelotta and Raynard (2011), and Zellweger et al. (2012). In addition, the library facilities available at the Nelson Mandela Metropolitan University will be used to access national and international databases. Databases such as Emerald, EBSCOhost and Sabinet will be consulted to identify existing research on the selected marketing and branding practices of family SMEs. The relevant secondary sources obtained and utilised will form a basis for the proposed hypothesised models shown in Figure 1.1 and Figure 1.2.
1.6.2 Empirical investigation (Primary research)

The primary research of this study will comprise of four subsections, namely an overview of the selected research paradigm and methodology, the sampling techniques adopted, as well as the data collection methods used will be provided. Subsequently, the design of the measuring instrument as well as the data analysis methods that will be used during the study, will be described and motivated.

1.6.2.1 Research paradigm and methodology

A research paradigm provides an outline that guides researchers exactly how research ought to be conducted, based on people’s philosophies, their assumption about the world and the nature of knowledge (Collis & Hussey 2014:43; Greener 2008:34; Johnson & Christensen 2014:31; Weaver & Olson 2006:460). According to various researchers (McGregor & Murnane 2010:420; Ritchie, Lewis, Nicholls & Ormston 2013:5) research paradigms can either be interpretivistic, which is often associated with a qualitative methodology, or positivistic, which is often associated with a quantitative methodology.

Heath (2007:27) defines qualitative research as an attempt to describe, interpret and understand social tendencies, which in most cases make use of individual views and thoughts. As a result, qualitative research is often used in studies which aim to discover and understand the meaning individuals assign to a particular problem. Quantitative research, on the other hand, involves determining a cause and effect relationship between variables. In other words, the data collected will be quantified and is typically presented using statistics (ACAPS 2012:4; Williams 2007:66).

Owing to the nature of this study, a survey using a questionnaire will be needed to gather the necessary data and a large sample is required. As a result, a positivistic research paradigm with a quantitative research methodology is adopted for this study. According to Collis and Hussey (2014:43), positivistic research paradigms aims to discover and explain theories that originate from empirical research, as is the case in this study.
1.6.2.2 Population, sampling and data collection

A research population is a group of individuals known to have similar characteristics and this group of individuals is the main focus of a scientific study (Hassam 2013:1). In this case, the research population consists of family SMEs operating within the borders of the Eastern Cape Province in South Africa. However, because researchers are unable to access all family SMEs in the Eastern Cape, a sample will be selected. A sample is defined by Hassam (2013:1) as a subsection of the population chosen to represent a population.

For the purpose of this study, the non-probability sampling techniques known as judgemental and convenience sampling will be used. These techniques are used based on the criterion associated with the sample (family SMEs), the ease of access to family SMEs in the Eastern Cape and because no database of family SMEs currently exists in the Eastern Cape or elsewhere in South Africa. According to Kadam and Bhalerao (2010), a sample size refers to the number of participants who have been selected to participate in a given research study. In the current study, a sample of 500 family SMEs operating within the borders of the Eastern Cape will be approached to participate in the study. Family SME owners operating within the borders of the Eastern Cape Province will be approached by field-workers from NMMU, where a self-administered questionnaire will be handed out to willing participants. Field workers will collect the questionnaire from the respondents upon completion.

1.6.2.3 Design of the measuring instrument

In order to statistically test the relationships between the dependent and independent variables, a measuring instrument will be developed. The items making up the measuring instrument will be sourced from existing measuring instruments used in similar research. The respondents will be required to complete a structured self-administered questionnaire which will be used for the data collection. Respondents will be required to evaluate their responses using an intensity rating scale, namely the Likert scale, as well as several dichotomous questions. The questionnaire will be accompanied by a cover letter and consists of nine sections.

The cover letter highlights the research topic, the objective of the research, as well as the promise of confidentiality. Section A of the questionnaire will focus on the general
demographic information relating to the respondent and the particular family business in question. In Section B and C of the measuring instrument, respondents will have to answer questions relating to the family business’s competitive orientation (Customer service differentiation and Product differentiation) while Section D includes dichotomous questions relating to the family businesses’ Marketing function. Section E includes dichotomous questions relating to the Branding of the family name. Section F will require respondents to answer four questions relating to the Promotion of family business. Section G includes items relating to Family business image, while Section H relates to the Stakeholders perception of the family SME owner and finally, Section I relates to the dependent variable, Perceived financial performance of the family business. Throughout sections B, C, F, G, H and I, the five-point Likert-type scale will be implemented and interpreted as: Strongly agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly disagree (1). The measuring instrument is depicted in Annexure 1.

1.6.2.4 Data analysis

For the purpose of this study, the primary data collected from the research questionnaire will be captured in Microsoft Excel 2016. Once the data is cleaned, the statistical program known as Statistica version 13 will be utilised to analyse the captured data. The validity and reliability of the measuring instrument will firstly be established. Thereafter, both descriptive and inferential statistics will be undertaken.

According to Collis and Hussey (2014:52), validity is used to determine the extent to which a given measuring instrument measures that which it was intended to measure. Factor analysis is used to assess validity. O’Boyle, Murray and Cummins (2015:216) explain that a factor analysis is used by researchers to describe variability among correlated variables. Tests for unidimensionality using factor analyses are considered more appropriate than an exploratory factor analysis, given that the constructs investigated in this study (Customer service differentiation, Product differentiation, Promotion of family business, Family business image, Stakeholder perception, and Perceived financial performance) has been used in several studies (Craig et al. 2008:358; Flören et al. 2015:105; Matchaba-Hove 2013:68; Zellweger et al. 2012:248). In testing the unidimensionality of the scales measuring the factors under investigation in this study (Customer service differentiation, Product differentiation, Promotion
of family business, Family business image, Stakeholder perception, and Perceived financial performance), the method of factor extraction specified will be principal component analysis. Bakar, Rahim and Ibrahim (2015:154) state that factor loadings above 0.5 are acceptable when testing for unidimensionality. Therefore factor loadings above 0.5 will be deemed significant for assessing the validity of the ordinal scales. The validity of the dichotomous questions on the other hand, will be assessed for content validity by an expert panel.

Reliability refers to the consistency and accuracy with which a measure assesses a particular variable (Collis & Hussey 2014:52; Phillips & Gully 2012:210). Thus a measuring instrument is considered to be reliable when it is applied multiple times and consistently yields the same result. In the current study, the reliability of the measuring instrument will be assessed using Cronbach’s alpha coefficients. Zikmund, Babin, Carr and Griffin (2013:302) indicate that a coefficient equal to or greater than 0.7 suggest good reliability. Thus based on the recommendation of Zikmund et al. (2013:302), a Cronbach’s alpha coefficient greater than 0.7 will be considered significant for the ordinal scales. The reliability of the dichotomous questions will be determined using the Kuder-Richardson Formula 20 (K-R 20), where KR-values higher than 0.5 will be deemed reliable (Mangal & Mangal 2013:572).

Crossman (2015) states that descriptive statistics refer to the statistical process used to describe the sample being studied. For the purpose of this study, descriptive statistics including measures of central tendency (mean, mode, median score and frequency distributions) and dispersion (standard deviation) will be calculated to summarise the data collected from the ordinal scales. In addition, only frequency distributions will be calculated for the dichotomous questions, given the descriptive nature of these questions. The inferential statistical techniques undertaken in this study include Pearson’s product moment correlation coefficient, regression analyses, and an analysis of variance (ANOVA).

Pearson’s product moment correlation coefficient will be used to measure the strength and direction of a linear association between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception) themselves and between the independent variables and the dependent variable, Perceived financial performance. A value of -1 indicates a perfect inverse relationship, while +1 indicates a perfect direct relationship, and the value 0 indicates that no

A single regression analysis aims to determine the nature of the linear relationship between one dependent variable and one independent variable, whereas a multiple regression analysis (MRA) assesses the relationship between a dependent variable and two or more independent variables (Collis & Hussey 2014:282). For the purpose of this study, a multiple regression analyses will be undertaken to investigate whether a relationship exists between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) and dependent variable, Perceived financial performance. In addition, two single regression analyses will be performed to determine the influence of Stakeholder perception on the use of “family” in Promotion of family business and Family business image.

Despite the focus of this study being on selected marketing and branding practices adopted by family SMEs, the current study also investigates the influence of selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) on the selected marketing and branding practices (Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception). An ANOVA will also be undertaken to achieve this. A post-hoc Sheffé test will be used to identify any significant differences between the mean scores of the different categories within each demographic variable, and if the post-hoc Sheffé test reveals any significant differences, eta-squared will be calculated to assess whether these differences are of practical significance.

1.7 SCOPE AND DEMARCATION OF THE STUDY

As was discussed in the introduction, it is well known that SMEs are the lifeblood of the South African economy, dominating the economic landscape through labour absorption and innovation (Makakane 2014; Olawale & Garwe 2010:729). SMEs account for almost 95 per cent of all businesses globally (Filipe et al. 2016:112) and in South Africa (Vallahb & Mhlanga 2015:532), while family businesses account for more than 80 per cent of SMEs in South Africa (Visser & Choloane-Tsoka 2014:427). In other words, family businesses are the predominant
way of doing business in South Africa (Kaunda & Nkhoma 2013:158; Tetteh 2008:2; Venter & Farrington 2009:135). For this reason, the current study focuses on family SMEs.

However, despite their importance, both family and non-family owned SMEs are faced with various marketing related challenges that contribute to their high failure rate (Hnatek 2015:344; Megginson et al. 2003:15; Van Scheers 2011:5048; Ward 2011:3). Although the marketing and branding practices of large businesses are well documented in literature, limited information is available on the marketing and branding practices of family SMEs (Craig et al. 2008:354; Malaska, Saraniemi & Tahtinen 2011:1144; Zellweger et al. 2012:239). This together with the broad spectrum of marketing and branding, this study focuses on selected marketing and branding practices of family SMEs, including Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception.

It is well recognised in literature (Agyapong & Acquaah 2016:194; Craig et al. 2008:354–355; Douglas, Douglas & Davies 2010:377; Flören et al. 2015:18) that differentiation competitive orientation is more applicable than low-cost leadership strategy to both family and non-family SMEs. More specifically, Craig et al. (2008:355) asserts that a Customer service differentiation competitive orientation (also known as customer-centricity) and a Product differentiation competitive orientation (also known as product-centricity) are the most commonly used in SMEs. For this reason, the differentiation competitive orientation among family SMEs investigated in this study are Customer service differentiation and Product differentiation. In addition, given that various researchers (Craig et al. 2008:354; Memili, Eddleston, Kellermanns, Zellweger & Barnett 2010:205; Zellweger et al. 2012:245) have successfully demonstrated that Promotion of family business and Family business image can play an important role in the performance of family SMEs, this study also emphasises these two marketing and branding practices with the intention of making international comparisons.

The current study also examines the Stakeholder perception of family SME owners. Various studies (Carrigan & Buckley 2008:656; Okoroafo & Koh 2009:3) have investigated how family businesses are perceived by stakeholders (using a stakeholder perspective), whereas this study, similar to the study of Flören et al. (2015:105), focuses on investigating the perception of the
family SME owner, with the intention of uncovering how important family SME owners think it is to their stakeholders that they are a family business.

This study also concentrates on family SMEs operating within the borders of the Eastern Cape Province only. The geographic scope of the study is limited to the Eastern Cape partially as a result of the latest findings of the SEDA, which indicated that the number of SMEs operating in the Eastern Cape has reduced by almost ten per cent from 2008 to 2015. Thus the Eastern Cape has among the highest rate of failing SMEs in South Africa (Bureau for economic research 2016:16). This, together with the fact that most SMEs are family SMEs (Visser & Choloane-Tsoka 2014:427), implies that family SMEs also have a high failure rate. However, given that marketing and branding could play an important role in SMEs, and family SMEs’ financial performance (Blombäck & Craig 2014:428; Craig et al. 2008:352; Zellweger et al. 2012:239), this study could assist family SMEs in the Eastern Cape in improving their financial performance, and ultimately their longevity.

Secondly, family SMEs operating in the Eastern Cape have been selected because of the ease of access to this sample. Additionally, only family businesses where at least two family members actively work in the business, and a single family owns more than 50 per cent share in the business, will be approached to participate in the study. The reason for this specific definition of family SMEs rests on the fact that despite multiple family SME definitions, there is still no globally accepted definition of family SMEs (Venter & Farrington 2009:132), whereas the aforementioned definition is commonly used by South African authors and academic researchers (Venter et al. 2005:284; Venter & Farrington 2009:134; Visser & Choloane-Tsoka 2014:428).

1.8 CONTRIBUTION OF THE STUDY

Existing research has primarily focused on the marketing and branding practices of large businesses, but research pertaining to these practices among family SMEs is scarce (Craig et al. 2008:354; Zellweger et al. 2012:239). This study aims to add value and expand on the limited body of knowledge that currently exists regarding the premise of marketing and branding a business as a “family” business. This is to be achieved by providing greater insight into whether it is worthwhile financially to market and brand the business as a family business.
In addition, the current study endeavours to contribute to the limited body of knowledge on family SMEs in South Africa, and more specifically the Eastern Cape Province, by investigating which of the selected marketing and branding practices influences their financial performance. Furthermore, to the researcher’s knowledge, this is the first research study to examine the selected marketing and branding practices of any family SMEs in South Africa.

Lastly, given that the selected marketing and branding practices could play an important role in the financial performance of family SMEs, this study offers great potential in assisting family SME owners with the selection and execution of a competitive orientation that could ultimately improve their financial performance and longevity.

1.9 DEFINITIONS OF KEY CONCEPTS

With the study focusing on the nature of selected marketing and branding practices among family SMEs, clear definitions of these terms are presented below.

1.9.1 Family business

For the purpose of this study, a family business refers to a business where at least two family members work in the business and the family owns more than a 50 per cent share in the business.

1.9.2 Small and medium-sized business

In this study, a small and medium-sized business (SME) is one where the owner is actively involved in the daily running and managing of the business, the businesses has been in operation for at least one year and employs more than five but fewer than 200 full-time employees.

1.9.3 Customer service differentiation

For the purpose of this study, a customer service differentiation competitive orientation refers to the family business distinguishing itself from other businesses through innovation in marketing techniques, higher quality standards than competitors, by keeping a tight control of expenses, and by means of quick delivery and responding immediately to customer orders.
1.9.4 Product differentiation

For the purpose of this study, a *Product differentiation* competitive orientation refers to the family business distinguishing itself from other businesses by developing and/or selling new and speciality products and/or services, investing in research and development (R&D) facilities, upgrading existing products’ appearance and performance, and emphasising product and/or service for high price market segments.

1.9.5 Promotion of family business

For the purpose of this study, *Promotion of family business* refers to the family business being promoted as a family business to suppliers, customers, potential employees and financiers.

1.9.6 Family business image

For the purpose of this study, *Family business image* refers to the family business basing their marketing strategy on the fact that they are a family business, and in doing so, including their family business status in advertising material and using their recognised family name as a brand when doing business.

1.9.7 Stakeholder perception

For the purpose of this study, *Stakeholder perception* refers to the family business owner perceiving that their customers, employees, suppliers and financiers think it is important that they are a family business.

1.9.8 Marketing

For the purpose of this study, *Marketing* is defined as “the activities undertaken to understand customer needs, in order to create, distribute, and promote need-satisfying products and services valued by customers, in a manner that facilitates building profitable, and long-term relationships with stakeholders” (American Marketing Association 2004; Gallucci, Santulli &

1.9.9 Perceived financial performance

For the purpose of this study, *Perceived financial performance* refers to the family business being profitable, financially successful and secure, as well as experiencing growth in profits, turnover, and number of employees over the last two years.

1.10 STRUCTURE OF THE STUDY

The structure of the research is as follows:

Chapter 1 will provide an introduction and background to the study. In addition, reference will be made to the problem statement, the purpose of the research, as well as the research objectives, including the primary, secondary and methodological research objectives. The research objectives will be followed by two proposed hypothesised models, which will serve as the basis for the formulation of the research questions and hypotheses. An overview of the research design and methodology will follow, which includes secondary and primary research. The primary research section will make specific reference to the research paradigm, sampling techniques, data collection and data analysis methods to be used. Thereafter, the scope as well as the significance of the study will be clarified. The chapter will conclude with definitions of key concepts and an overview of the structure of the subsequent chapters.

Chapter 2 will provide a literature review of both family and non-family SMEs. The chapter will commence by contextualising SMEs in general by defining and highlighting their importance. In addition, the challenges they face will be elaborated on. Thereafter, family businesses will be contextualised. More specifically, family businesses will be defined and their nature explained. Several models in family business will be described and the key differences between family and non-family businesses will be discussed. Chapter 2 will conclude by highlighting the importance of family businesses, as well as the challenges they face.
Chapter 3 will focus on the nature and importance of marketing and branding in general and in family SMEs in particular. Marketing will be defined, followed by a discussion on the marketing process, and marketing’s importance. Thereafter, branding will be contextualised by defining branding, and highlighting the differences between marketing and branding. In addition, the different forms of branding will be discussed with particular emphasis on corporate branding. Next, marketing and branding will be contextualised to family SMEs, whereby reference will be made to marketing differences between SMEs and large businesses, and marketing in family SMEs, specifically. Additionally, the marketing challenges of both family and non-family SMEs will be elaborated on, followed by a discussion of the nature of branding in family SMEs, whereby a family business brand will be defined, and the various family business branding strategies highlighted. Chapter 3 will conclude by emphasising the importance of family business branding.

In Chapter 4 the two proposed hypothesised models will be presented, together with the hypothesised relationships. Relationships are hypothesised between selected marketing and branding practices (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) adopted by family SMEs and Perceived financial performance, as well as between Stakeholder perception and selected marketing and branding practices of family SMEs (Promotion of family business and Family business image). The independent and dependent variables which form the basis of the hypothesised models, as well as the hypothesised relationships described above, will be elaborated on in this chapter. In addition, evidence supporting the proposed relationships will be provided.

Chapter 5 will focus on the research design and methodology to be used in this study and the rationale behind the selected methodology. Chapter 5 will commence by defining research, and research design. Thereafter the positivistic and interpretivistic research paradigms together with their respective methodologies will be elaborated on. In addition, the various quantitative research approaches will be discussed. The research method selected for this study, namely surveys, will be explained in the following section. Subsequently, both secondary and primary data collection methods will be highlighted, with the latter elaborating on the population and sample studied, the measuring instrument development, and the operationalisation of the dependent and independent variables. In addition, reference will be made to how the measuring instrument was administered, together with the ethical considerations that were taken into
account while conducting this study. The chapter will conclude with a discussion on the method of data analysis used in the study, whereby the assessment of validity and reliability of the measuring instruments will be elaborated on, as well as the descriptive and inferential statistical techniques used in the analyses of the data.

In Chapter 6, the empirical results of the study will be presented. Chapter 6 will commence with an overview of the demographic information of the respondents. This will be followed by the results of the validity and reliability assessments of the various ordinal and dichotomous scales. Based on the results of the validity and reliability assessments, the hypothesised models and hypotheses will be revised and renumbered. Thereafter descriptive statistics relating to both the ordinal and dichotomous scales will be presented, together with the results of the Pearson product moment correlation and regression analyses. The results of ANOVA will conclude Chapter 6.

Chapter 7 will conclude the study by providing a brief overview of the preceding chapters, together with an abstract of the main findings. Based on the findings of the literature review and the empirical investigation, conclusions will be drawn. Furthermore, the contributions and limitations of the study will be explained, and recommendations for future research will be proposed.
CHAPTER 2

NATURE AND IMPORTANCE OF SMALL AND MEDIUM-SIZED FAMILY BUSINESSES

2.1 INTRODUCTION

The primary and secondary objectives of this study are to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape, and their influence on the Perceived financial performance of these businesses, as well as the influence of Stakeholder perception on the use of “family” in selected marketing and branding practices among family SMEs. All SMEs, whether family-owned or not, play an important role in the economic development of South Africa (Visser & Chiloane-Tsoka 2014:427). Therefore, it is vital to contextualise both family and non-family SMEs, as well as highlight their importance.

Chapter 2 will commence by defining SMEs and by elaborating on the various criteria used to define these businesses. Thereafter, the importance of SMEs will be elaborated on and a discussion of the various challenges they face will follow. Even though it is a well-known fact that the majority of SMEs are family-owned and that they share similar characteristics and challenges with non-family SMEs, they do have unique characteristics and challenges. This chapter will contextualise family-owned SMEs by defining these businesses. In addition, the nature of family businesses will be elaborated on and several conceptual models in the field will be described. Thereafter, the differences between family and non-family SMEs will be highlighted. This chapter will conclude by discussing the importance of family businesses and investigating the challenges they face.

2.2 CONTEXTUALISING SMALL AND MEDIUM-SIZED BUSINESSES

The following section will focus on the definition of SMEs, their important role in the economy, and on the challenges that hinder their success rate.
2.2.1 Defining small and medium-sized businesses

Businesses are often categorised in terms of size and are commonly referred to as small, medium or large businesses (OECD 2015:331; Rakicevic, Omerbegovic-Bijelove & Lecic-Cvetkovic 2016:31). According to Ogbar (2009:14), Onyiriuba (2016:131), as well as Siaw, Shima and Rani (2012:542), there is currently no universally recognised global definition of an SME as most countries tend to define SMEs based on their own particular requirements. As a result, countries around the world adopt different criteria and standards of what constitutes a small, medium or large business. Gibson and van der Vaart (2008:9–10) state that the importance of defining SMEs stems from the need to improve the formulation and quality of SME policy, especially in developing countries where governments have created specific institutions to provide support services to SMEs. It is imperative that a clear distinction is made between small and medium-sized businesses, particularly when it relates to which businesses are eligible to apply for government support (Gibson & van der Vaart 2008:9).

There are several criteria that are used by countries to differentiate between small, medium and large businesses, such as the operating sector, production volumes, equity distribution, as well as the size of the resources a particular business has at its disposal (Banking Association of South Africa 2015; Economic Commission for Europe 2003:18; Eniola & Entebang 2015:335; OECD 2015:331; Ogbar 2009:15). The European commission introduced the most widely accepted quantitative criteria to differentiate between small, medium and large businesses (Ogbar 2009:16; Onyiriuba 2016:131; Tassiopoulos 2011:7), including measurable variables such as the number of full-time employees, the businesses’ total annual turnover and the businesses’ total gross asset value (Landau, Karna & Taubu 2016:295). Gibson and van der Vaart (2008:13) however are of the opinion that the aforementioned total asset criterion is impractical, since most SME owners seldom know the exact value of their fixed assets.

Despite most authors (Aculai, Vinogradova & Veverita 2015:148; Landau et al. 2016:295; OECD 2015:331; Ogbar 2009:15) classifying SMEs using quantitative criteria, there is an increasing tendency among researchers to use qualitative criteria to assist in the classification of SMEs (Buliga 2014:6; Karami 2007:79; Landau et al. 2016:295; Zureck 2015:23). Although Farrington (2011:579) states that qualitative criteria cannot be measured, Buliga (2014:6) and Karami (2007:79) believe that using qualitative criteria such as organisational structure, equity
distribution, geographical coverage, risk, flexibility and independence in terms of ownership and management, can enhance researchers’ understanding of SMEs.

In South Africa, an SME is defined as a separate and distinct profit-orientated business entity, including non-government and co-operative businesses operating in any sector or sub-sector of the economy, and is personally managed by one or more owners (Cant, Erdis & Sephapo 2014:566; Farrington 2011:577–578; Ngubane, Mayekiso, Sikota, Fitshane, Matsoso & Bruwer 2015:382). Based on the Small Business Act, Ngubane et al. (2015:383–384) define a small business as one that employs between five and 50 individuals, and is owner-managed, whereas the Banking Association of South Africa (2015) defines a medium-sized business (operating within the manufacturing sector, for example) as a business which employees less than 200 full-time employees, has an annual turnover less than R51 million, and has a total asset value less than R19 million.

As mentioned above, there are several criteria that can be used to define SMEs, however, for the purpose of this study, a small and medium-sized business is one where the owner is actively involved in the daily running and managing of the business, the business has been in operation for at least one year, and employs more than five but fewer than 200 full-time employees.

2.2.2 The importance of small and medium-sized businesses

The importance of SMEs is globally recognised (Anand 2015:1003; Rakicevic et al. 2016:31; Ramayah et al. 2016:150). The 2009 economic turmoil has contributed to large businesses’ downsizing, resulting in SMEs playing an increasingly vital role in stimulating global economic growth (Canon & Liu 2015; Chimucheka 2013:783; OECD South Africa 2015:73). Edmiston (2007:73) states that economic development experts have shifted their focus from relying exclusively on large businesses to drive economic growth, to relying on establishing new SMEs and supporting growth within the SME sector. The underlying reason for the shift is evident, since SMEs may produce more job opportunities than trying to appeal to one or two large businesses (Cant et al. 2014:569; Chimucheka 2013:784; Smit & Watkins 2012:6325).

Recent studies (Anand 2015:1005; Filipe et al. 2016:112) have shown that SMEs account for more than 95 per cent of all businesses in developed countries and 90 per cent in developing
countries. South Africa being a developing country is no different, since SMEs account for 91 per cent of all formal businesses located in South Africa (Valla bh & Mhlanga 2015:532). Consequently, it is no surprise that they collectively contribute more than 50 per cent to the country’s GDP (Visser & Chiloane-Tsoka 2014:427). In addition, various authors (Cant et al. 2014:566; OECD South Africa 2015:74; Thulo 2015; Vallabh & Mhlanga 2015:532) have indicated that SMEs provide employment for more than 60 per cent of the labour force, and create 42 per cent of all new employment opportunities in South Africa. Thus, the South African SME sector is considered a key driver in job creation and employment growth within the private sector (Cant et al. 2014:566; Chimucheka 2013:786; Thulo 2015). As a result, the South African government acknowledged the importance of SMEs and established the Small Business Act, which later served as the basis for the Small Business Council.

The Small Business Council was developed for the purpose of representing and supporting the interests of the South African SME sector, as well as to make recommendations to the national, provincial, and local spheres of government on social and economic policy that stimulates the development of SMEs (Reinecke & White 2004:87; Tsoabisi 2014:7). In light of the important contribution of SMEs, the South African government has also established various initiatives, including SEDA and SEFA, which are aimed at stimulating and promoting the SME sector by increasing the SME sectors’ accessibility to financing (Kgosiemang 2015; Maye 2014:3; SEDA 2014:96; SEFA 2014:3). During 2014, the South African government validated their commitment to the SME sector by establishing the Department of Small Business Development (DSBD) which aims to foster growth within the SME sector by reviewing policy and legislative issues that hinder SME longevity (Thulo 2014).

In developing countries such as South Africa with major income discrepancies between the rich and poor, SMEs play a significant role in poverty reduction, since they provide underprivileged individuals with income opportunities (Cant et al. 2014:568; Chimucheka 2013:785; Makakane 2014). SMEs are also seen as an important vehicle to address the various social challenges found in developing countries, such as high poverty and unemployment rates, slow economic growth and inequitable income distribution (Chimucheka 2013:786; Eniola & Entebang 2015:334; OECD South Africa 2015:73). Writers (2012) suggests that SMEs are able to reduce the high poverty rate in South Africa by creating self-employment opportunities, along with
employment opportunities for others, often employing younger and unskilled workers who would otherwise not be able to economically contribute to the betterment of South Africa.

The easy entry and exit of SMEs in the marketplace, as well as the large number of SMEs found in South Africa, create a more elastic and competitive economy, which produces higher competitive market pressures (Alrabeei & Scott 2014:2; Cant et al. 2014:568; Sheikh 2010). SMEs compete against larger firms, thereby improving the competitive environment leading to better quality products and services. In addition, the flexible organisational structure inherited in SMEs facilitates innovative cost reduction strategies thereby enabling them to perform certain functions more cost effectively than larger businesses. For instance, large businesses can outsource key functional areas of their business, such as distribution to SMEs which specialise in the distribution of goods and services. As a result, they also underwrite the success of larger businesses (Carcary 2014:3; Chimucheka 2013:786; Okreglicka, Gorzen-Mitka & Orgean 2015:446; Subrahmanya 2011:42).

From the aforementioned it is clear that SMEs play an important role in stimulating employment, eradicating unemployment, combating poverty and creating sustainable economic growth in South Africa (Makakane 2014; Olawale & Garwe 2010:729; Rakicevic et al. 2016:31). However, despite their important role, SMEs are faced with numerous challenges that hinder their success, causing more than 70 per cent of SMEs to fail within their first year of operation (Olawale & Garwe 2010:730). Some of these challenges will be discussed in the following section.

2.2.3 Challenges facing small and medium-sized businesses

Despite SMEs being considered the backbone of the South African economy, they are still faced with high failure rates. South Africa has one of the highest SME failure rates across the globe (SBP 2014:2; Vallabh & Mhlanga 2015:532), surpassing 70 per cent within their introductory year of operation (Cant et al. 2014:565; Ngubane et al. 2015:382) and more than 90 per cent within the first 10 years of operation (Takhar, Chitakunye & Fields 2015:7; Van Scheers 2011:5048). Abor and Quartey (2010:224) add that the high failure rate of SMEs restricts their significant contribution to economic growth. Hnatek (2015:344), Megginson et al. (2003:15),
Ward (2011:3), as well as Williams (2014a:1), indicate that SMEs are faced with various internal and external challenges that contribute to their high failure rate.

(a) External challenges

External challenges, according to Ngary, Smit, Bruwer and Ukpere (2014:912), originate from outside the business, implying that business owners have limited control, if any, over these factors. Abor and Quartey (2010:224) in addition to Olawale and Garwe (2010:731) have investigated these external challenges and cite social and macro-economic factors and a complex regulatory environment, as external challenges facing SMEs.

The 2009 financial crises resulted in stricter financing regulations causing commercial banks to be more hesitant to offer financing to SMEs (Cant et al. 2014:570; Zureck 2015:25–26). As a result, SMEs are finding it increasingly difficult to obtain debt finance (Cant et al. 2014:570). In addition, SMEs have limited resources at their disposal, frequently lacking collateral to offer commercial banks in case of default, which results in SMEs having a higher cost of capital than larger, more established businesses (Anand 2015:1003; Eniola & Entebang 2015:338; Zureck 2015:25–26). In other words, SMEs will have to pay higher interest on debt capital because they are regarded as high risk, given their limited credit history (Cant et al. 2014:570; Chimucheka & Mandipaka 2015:312; Zureck 2015:25–26). Cant et al. (2014:570) add that 75 per cent of applications for bank loans by SMEs in South Africa are denied.

Other researchers (Elliot 2014; Ngary et al. 2014:910; Olawale & Garwe 2010:732) point out that SME failure is attributed to economic factors, including, low consumption and demand, along with high interest and inflation rates as well as weakening exchange rates. The aforementioned economic challenges have resulted in lower revenue and market growth for South African SMEs, causing many of them to exit the market. Given the stagflation South Africa is currently (2016) experiencing, it is no surprise that South Africa currently has the fourth-lowest established business rate out of the 70 countries that participated in the Global Entrepreneurship Monitor 2014 survey (Herrington, Kew & Kew 2014:21–25). Furthermore, the established business rate of 2.7 per cent in South Africa is almost three times lower than the average rate of 8.5 per cent, for efficiency driven economies (Herrington et al. 2014:25; Turton & Herrington 2012:7).
In addition to the poor economic outlook in South Africa, SMEs are faced with the daunting task of complying with the complex regulatory environment found in South Africa (Chimucheka & Mandipaka 2015:310). In support, a study performed by the SME Growth Index estimates that SMEs spend roughly four per cent of their annual turnover on compliance cost given South Africa’s complex regulatory environment (SBP 2013:9). Furthermore, Chimucheka and Mandipaka (2015:310) indicate that SME owners are often unfamiliar with or lack the required knowledge to comply with the regulatory environment, resulting in additional penalties.

(b) Internal challenges

Ngubane et al. (2015:384) indicate that micro-economic factors facing SMEs refer to challenges originating from within the business, implying that to a certain extent, SME owners control and have an influence over these particular challenges. These internal challenges include a lack of proper entrepreneurial education, inadequate managerial and financial expertise, ineffective cash flow management, and a lack of managerial skills (Abor & Quartey 2010:224; Cant & Wiid 2013:708; Olawale & Garwe 2010:731; Van Biljon 2014). In addition, Ngary et al. (2014:912) and Olawale and Garwe (2010:731) are of the opinion that a lack of managerial experience in key functional areas such as human resources and marketing, is the leading cause of SME failure.

According to various researchers (Cant & Wiid 2013:709; Ngary et al. 2014:912; Van Scheers 2011:5049), a lack of marketing is also considered to be a major contributor to the high failure rate of SMEs. The reason for this is that the initial costs involved in establishing SMEs are excessive; as a result, marketing is neglected and considered less important (Van Scheers 2011:5049). Additionally, Cant (2012:1109) states that SME owners do not recognise the true value of marketing, nor are they equipped with the necessary skills to perform various marketing related activities. The prevailing marketing challenges that SMEs face include having a narrow customer base, low product demand and limited market influence (Cronin-Gilmore 2012:97; Terzidis & Samanta 2011:67; Van Scheers 2011:5051). In addition, SMEs have limited funding available for marketing purposes and SME owners often do not understand their target customers, or the point of monitoring their competitors. Furthermore, SME owners frequently lack the knowledge to perform accurate market planning and build strong brands. In
other words, SME owners are often not well trained and organised to carry out marketing (Cant 2012:1109–1112; Cronin-Gilmore 2012:97).

It can be concluded that SMEs, whether family-owned or not, are faced with various internal and external challenges that hinder their longevity. Because the majority of SMEs are family-owned, and because family businesses are fundamental to this study, it is important to contextualise family businesses.

2.3 CONTEXTUALISING FAMILY BUSINESSES

In the following section, family businesses will be defined, followed by a discussion on several seminal conceptual models often used to describe the nature of family businesses. In addition, the differences between family and non-family businesses will be elaborated on. Thereafter, the importance of family businesses will be presented, followed by a discussion of the various challenges these businesses face.

2.3.1 Defining family businesses

Family businesses are often described as the oldest form of business, varying in size, ranging from small local businesses to large publicly traded companies (Backman & Palmberg 2015:247; Jiang, Jiang, Kim & Zhang 2015:261; Moghaddam & Russ 2016:156; Ramadani & Hoy 2015:11). According to Venter and Farrington (2009:133), the factors that determine whether a business is truly a family business are often unclear. Although researchers (Kaunda & Nkhoma 2013:157; Machek, Hnilica & Brabec 2013:66; Venter & Farrington 2009:133; Venter & Urban 2015:474) have used numerous criteria in their attempts to provide a definition that captures all the different elements that constitute a family business, there is currently no widely acknowledged family business definition in literature or among academics, and as a result, numerous definitions exist (Alderson 2011:5; Marvel 2012:188; Sharma, Melin & Nordqvist 2014:7; Venter & Urban 2015:474).

Given the complex governance structure inherent in family businesses, these businesses cannot be defined using only quantitative criteria such as the number of employees or annual turnover. Instead family businesses are more easily defined using both quantitative and qualitative criteria.
(Brauninger 2013:5; Onyiriuba 2016:131). The use of both types of criteria has resulted in multiple family business definitions that share a number of common elements including ownership, management and family involvement (Alderson 2011:5; Moghaddam & Russ 2016:157; Uhlaner 2013:391; Poza 2010:5).

Various researchers (Cater & Beal 2014:63; Reay, Jaskiewicz & Hinings 2015:294; Visser & Chiloane-Tsoka 2014:428; Venter & Urban 2015:474) are of the opinion that if at least two members of the same family control and own the majority of shares (51%) in the business and are actively involved in managing the business, then one can consider the business as family-owned. Landau et al. (2016:297) propose that family members should not only be involved in the business, but they should also actively maintain managerial positions within the business. Sharma and Nordqvist (2013:142) add that family influence is a key factor distinguishing family businesses, since the family plays a significant role in shaping the businesses’ strategic objective and vision of the business. In other words, the family’s authority in the business will facilitate the pursuit of the family’s vision for the business.

Goel and Jones (2015:94) believe that family businesses are defined by their long-term focus with the purpose of ensuring the longevity of the business across multiple generations. Landau et al. (2016:296), in conjunction with Venter and Boshoff (2006:18), state that a family business should have the intention of handing over the business to the subsequent generations; alternatively the business has already been handed over to the succeeding generation, in order to be considered a family business. Therefore family involvement and ownership across multiple generations is a key factor when defining family businesses (Harms 2014:284; Price et al. 2013:2; Venter & Urban 2015:474).

For the purpose of this study, a family business is a business where at least two family members work in the business and the family owns more than a 50 per cent share in the business. This definition has been used by several South African scholars (Venter et al. 2005:284; Venter & Farrington 2009:134; Visser & Chiloane-Tsoka 2014:428) when researching family businesses. In addition, as the focus of this study is on family SMEs, in addition to the aforementioned criteria, a family SME is one where the owner is actively involved in the daily running and managing of the business, the businesses has been in operation for at least one year and employs more than five but fewer than 200 full-time employees. In order to aid the
understanding of family businesses, an overview of the several seminal conceptual models relating to family businesses will be elaborated on in the next section.

2.3.2 Family business conceptual models

In order to aid the understanding of family businesses, many researchers make use of conceptual models to illustrate the nature of family businesses (Venter & Urban 2015:474). To date, numerous models have appeared (Dual systems approach; Three-circle model; Three-dimensional development model; Life-cycle approach; the Bulleye system approach) to explain family business interactions (Farrington 2009:v–vi). However, several seminal models appear to provide the basis from which most other models have developed. In the following section, the dual systems approach, the three-circle model, and the three-dimensional model will be discussed.

2.3.2.1 Dual systems approach to family businesses

In an attempt to better understand family businesses and their complexities, most academics investigate the nature of family businesses by using a dual system approach (Longenecker, Petty, Palich & Hoy 2014:119; Rwigema & Venter 2004:476; Venter & Urban 2015:474). Jennings, Breitkreuz and James (2014:27) indicate that the general systems theory was established to enhance the understanding of multifaceted and organised behaviour of systems. Thus, the family systems theory is rooted in the general systems theory.

Habbershon, Williams and Macmillan (2006:68) state that the dual systems approach is a conceptual model used to depict the family and business as an overlapping system to describe the competitive pressures associated with decision-making in family businesses. The dual systems approach, also known as the two-system concept, was developed by Tagiuri and Davis in the 1970s, whereby the family business consists essentially of two different, but overlapping and interdependent components, namely family and business (Davis 2015; Dickinson 2000:6; Longenecker et al. 2014:119; Venter & Urban 2015:474; Von Schlippe 2015:296). As indicated in Figure 2.1, the purposes of the family and business systems are fundamentally different, since the family system is based on the emotional aspect associated with family, with the primary purpose of the family being to love and care for family members. The business system is more
rational and task-based, relating to the operational processes of generating an income by creating value for customers. Furthermore, the family system is inward-looking, placing great emphasis on longstanding loyalty of family members, while the diverging purpose of the business is outward-looking with a specific emphasis on performance and results (Barrett 2014:168; BDO Centre for family businesses 2014:5–8; Pounder 2015:121; Venter & Urban 2015:475).

Figure 2.1: Overlapping systems of family businesses

As illustrated in Figure 2.1, in family businesses, the two subsystems, namely family and business are forced to overlap, which can bring about potential conflict (Barrett 2014:168; Braidford, Houston & Allinson 2014:8; Longenecker et al. 2014:119; Pounder 2015:121). However, various researchers (Barrett 2014:168; Lancaster 2012:8) have criticised the dual systems approach, indicating that the complexities associated with family businesses cannot be assessed using only two restrictive concepts. As a result, the dual system approach was extended to include ownership, resulting in a more comprehensive model, named the three-circle model, as indicated in Figure 2.2 (Pieper & Klein 2007:301; Poza & Daugherty 2014:9; Ramadani & Hoy 2015:21; Venter & Urban 2015:474).
2.3.2.2 Three-circle model of family businesses

The three-circle model was developed by Tagiuri and Davis in the early 1980s. De Vries, Carlock and Florent-Treacy (2007:31) state that the ownership system of the model is concerned with the financial performance of the family businesses, including shareholder value and return on investment. According to Poza (2010:8) the three-circle model, as illustrated in Figure 2.2, views a family business as a multifaceted system, which is integrated through the continuous adjustment of the three subsystems, namely business, ownership and family.

**Figure 2.2: Three-circle model of family businesses**

Based on Figure 2.2, family and non-family members can be included in the businesses by means of family, ownership and manager, and can hold seven positions within the family business, as formed by the overlapping systems of family, ownership and business (Alderson 2011:34; Ramadani & Hoy 2015:21). Individuals who only have one relationship with the family business will automatically be on the outward section of the circles, for instance, all family members will be positioned in the top section of circle 1, whereas employees and managers will be in the bottom right circle, and shareholders will be positioned on the outside section of circle 2. In contrast, individuals who have more than one connection with the family business will be included in one of the overlapping sections 4, 5 or 6 (Alderson 2011:34–35; Ramadani & Hoy 2015:21). The aforementioned three-circle model provided insight into the
complexities associated with family businesses, indicating that family businesses are a unique form of business with various inherit characteristics that differentiate them from their non-family counterparts. However, the three-circle model has been criticised in that it does not allow one to follow the growth of the business according to the subsystems (Lancaster 2012:9). As a result, the three-dimensional model was developed.

2.3.2.3 Three-dimensional developmental model of family businesses

In response to the criticism of the three-circle model (see Figure 2.2), Gersick, Davis, Hampton and Lansberg (1997) developed a more complex model, that takes into account the life span of the family and the business, named the three-dimensional model in the late 1990s (Jennings et al. 2014:31). According to Flamholtz and Randle (2016:30) the three-dimensional developmental model is partially based on other life cycle models, including family and business development, thereby accounting for changes that occur over time. As indicated in Figure 2.3, the three-dimensional model distinguishes family businesses using three dimensions, namely ownership, family and business.

Figure 2.3: Three-dimensional development model

![Three-dimensional Development Model](image)

Source: Adapted from Gersick et al. 1997:17
As illustrated in Figure 2.3, each dimension (family, business and ownership) is then divided into different series of stages, where the ownership and business axis have three different stages, while the family axis has four stages (Ramadani & Hoy 2015:21). It is important to note that each dimension moves sequentially through different life stages, and each stage has its own particular challenges (Ramadani & Hoy 2015:21; Venter & Urban 2015:476). According to Venter (2015:476) all family businesses will, to some extent, have progressed to a particular point on the ownership axis, some point on the family axis, and also a particular point on the business axis. In addition, Venter and Urban (2015:476) find that the three-dimensional model is the most comprehensive model offering the most progressive insights into family businesses in comparison to the other more simplistic models.

2.3.3 Differences between family and non-family businesses

Family businesses differ considerably from non-family businesses (Pounder 2015:118; Price et al. 2013:2; Venter & Urban 2015:474). A study by Ramadani and Hoy (2015:11) indicates that the most popular criterion used to distinguish family businesses from non-family businesses is the active involvement and participation of family members in the business and majority ownership and voting rights residing within one family. However, Ramadani and Hoy (2015:12) along with Sharma and Nordqvist (2013:142), explain that using family involvement as a criterion to differentiate between family businesses and non-family businesses is too restrictive. Various researchers (Blombäck & Brunninge 2013:331; Pounder 2015:119; Sharma & Nordqvist 2013:142–143) have indicated that it is not only family involvement and ownership that distinguish family businesses from non-family businesses, but rather the interaction between the family, business, ownership, governance and more importantly how family involvement influences the objectives, strategies, structure and the behaviours and decision-making in the business. In support, other authors (Barrett 2014:168; Braidford et al. 2014:8; Longenecker et al. 2014:119; Pounder 2015:119) cite that it is the need to continuously balance the conflicting goals within the family and business systems, which differentiates family businesses from non-family businesses. Furthermore, the overlapping subsystems of family and business (see Figure 2.1), as well as familial interactions found in family businesses, result in unique bundles of resources and capabilities, known as “familiness”, that are not present in non-family businesses (Brines, Sheperd & Woods 2013:118; Chirico et al. 2011:484; Sanchez-Famoso, Maseda & Iturralde 2013:178).
According to Blombäck and Brunninge (2013:328–332), family businesses have a distinct competitive advantage over non-family businesses, since they are in a fortunate position to leverage their families’ shared identity and heritage to develop a corporate family-based brand identity. In other words, family businesses can communicate their longstanding family history and core family values to external stakeholders, which can enhance family businesses’ competitiveness in the market, whereas non-family businesses lack shared identity and heritage (Blombäck & Brunninge 2013:332–333; Botero, Thomas, Graves & Fedik 2013:12; Memili et al. 2010:202).

Gottardo and Moisello (2015:67) draw on the socio-emotional wealth found in family businesses to explain the difference between family and non-family businesses. Socio-emotional wealth, according to Gottardo and Moisello (2015:67) is defined as the “utilities family owners derive from the non-economic aspects of the business, such as identity, the ability to exercise family influence, and the preservation of the family dynasty and values”. Family businesses are known to pursue both financial and non-financial goals which drives their decision-making, while non-family businesses are mostly driven by economic goals (Blombäck & Brunninge 2013:331; Goel & Jones 2015:96; Ramadani & Hoy 2015:13). Non-financial goals pursued by family businesses often include the aspiration to maintain ownership over the family business, across multiple generations (Kammerlander & Ganter 2015:364).

Thus, it is to be expected that family businesses are likely to implement long-term orientated strategies that will enable them to achieve such goals and ensure the survival of the business over multiple generations (Hougaz 2015:11; Lindow 2013:83). Family businesses wishing to retain intergenerational ownership will likely exhibit risk-averse behaviour owing to their inherited long-term orientation, while non-family businesses are more likely to have a short-term profit orientation (Abdellatif, Amann & Jaussaud 2010:109; Blombäck & Brunninge 2013:333; Braidford et al. 2014:7; Jiang et al. 2015:262; Price et al. 2013:2).

2.3.4 The importance of family businesses

Family businesses are widely considered the oldest form of business and are globally recognised as the engines that drives a healthy economy (Banki & Ismail 2015:22; Ramadani & Hoy 2015:11; Venter & Urban 2015:473). According to Venter and Urban (2015:473),
family businesses are the predominant form of business in developed and developing countries around the world. In addition, family businesses often outperform (Hougaz 2015:11) and are more profitable than non-family businesses (Jiang et al. 2015:262), since family businesses have specific market knowledge that has been acquired through a lifetime of exposure to a specific target market or industry (Blombäck & Brunninge 2013:332; Rayney 2014:3).

Family businesses account for more than 35 per cent of the Fortune 500 companies (Kaunda & Nkhoma 2013:157) and some of world’s largest and most influential businesses are family-owned and managed (Venter & Farrington 2009:135). Internationally, family businesses account for up to 70 per cent of all businesses, thereby making a significant contribution to employment (Backman & Palmberg 2015:247; Carrigan & Buckley 2008:656; Intihar & Pollack 2012:76; Kaunda & Nkhoma 2013:157). According to Fernández-Olmos, Gargallo-Castel and Giner-Bagüesa (2015:1) family businesses provide employment for more than 65 per cent of the private sector workforce globally. Maas and Diederichs (2007:4) indicate that family businesses play an important role in the communities in which they operate, since they provide much-needed job opportunities for the community. In addition, the importance of family businesses is not only expressed in terms of their significant contribution to GDP and employment, but also in terms of their ability to withstand and excel during periods of economic downturn (Ernst & Young 2012:5; Hall 2015; Vassiliadis, Siakas & Vassiliadis 2015:528). Several studies (Alderson 2011:27; Andrews 2009; Ernst & Young 2012:1; Hall & Astrachan 2015:175; Hnatek 2015:343) report that family businesses are more philanthropic than their non-family counterparts. More than 80 per cent of family businesses are involved in charitable activities, contributing in terms of money and time to improve the local community in which they operate (Alderson 2011:27; Hall & Astrachan 2015:175).

Although there is currently no reliable database relating to family businesses, estimates indicate that family businesses account for more than 80 per cent of all South African businesses (Hnatek 2015:342; Lancaster 2012:1; Venter 2003:32–34; Venter & Farrington 2009:135; Visser & Chiloane-Tsoka 2014:428). Furthermore, it is estimated that more than 60 per cent of companies listed on the Johannesburg Stock Exchange are family businesses (Bodi 2012; Lancaster 2012:1; Van Buuren 2007:2; Venter, Farrington & Finkelstein 2010:3). In South Africa, the contribution of family businesses to the social and economic welfare of the country is equally important, given that family businesses contribute more than 50 per cent to the GDP
of South Africa (Herrington & Kew 2013:30; Mahembe 2011:9; Visser & Chiloane-Tsoka 2014:427). Furthermore, several researchers (Radipere & Van Scheers 2005:402; Visser & Chiloane-Tsoka 2014:427) contend that family businesses, irrespective of size, employ 75 per cent of the working population in South Africa.

From the aforementioned, it is clear that family businesses are the lifeblood of the global economy, driving economic growth and employment. Thus, the importance of family businesses should not be underestimated, especially given the important economic and social role family businesses play in South Africa (Basco 2015:259; Kaunda & Nkhoma 2013:157; Visser & Chiloane-Tsoka 2014:427). However, despite their importance, family businesses are faced with various challenges that contribute to their high failure rate. The following section will make reference to the numerous challenges associated with family businesses.

2.3.5 Challenges facing family businesses

Although family businesses play a significant role in the economies of countries, their lack of longevity is a concern (Betancourt, Botero, Ramirez & Vergara 2014:5; Hnatek 2015:344; Kaunda & Nkoma 2013:158; Venter & Farrington 2009:146). Globally, it is estimated that a startling 70 per cent of family businesses do not survive beyond the first generation. In other words, only 30 per cent of family businesses are expected to survive to the second generation (Hnatek 2015:344; Kaunda & Nkoma 2013:158; Lam 2011:508; Vassiliadis & Vassiliadis 2014:242). The plight in South Africa is even more dire, since researchers (Nieman 2006:40; Tanzwani 2010:2; Tetteh 2008:2) estimate that family businesses have an average lifespan of 24 years, while most smaller family businesses will fail within the first five to ten years of operation (Nieman 2006:40; Tanzwani 2010:2). In addition, it estimated that only 25 per cent of South African family businesses will survive past their founders, while fewer than 14 per cent will survive beyond the third generation (Venter et al. 2005:284; Venter & Farrington 2009:147).

Although the 30-13-3 statistic of family business failure across the first, second and third generations is widely accepted in family business literature, Sharma (2014) warns that family business failure should not be taken out of context. Zellweger, Nason and Nordqvist (2011:6) explain that if a family decides to strategically exit a business by means of selling or ceasing
the operation of the business with the intention to follow other business opportunities, it may be an indication of a successful transition, instead of failure. In some cases, the cessation of a business is needed to maintain a competitive advantage and safeguard the longevity of the family business in a new environment (Zellweger et al. 2011:6).

According to Price et al. (2013:1), many of the challenges facing SMEs also apply to family businesses, since most family businesses are in fact SMEs. Thus, family SMEs face similar challenges to non-family SMEs. In addition to the challenges mentioned in section 2.2.3 that apply to all SMEs, family SMEs are faced with additional challenges that contribute to their high failure rate as a result of their inherent characteristics, specifically the involvement of family members in the business (Kaunda & Nkhoma 2013:158; Venter & Farrington 2009:147; Venter & Urban 2015:485; Tetteh 2008:2).

Pounder (2015:119), as well as Vassiliadis and Vassiliadis (2014:244) state that family businesses are finding it increasingly difficult to balance family and business, because of the diverging objectives associated with these two constructs. The complexity associated with managing both the family and the business often results in ineffective communication, sibling rivalry and competition among family members with differing personalities, goals and expectations (Bernard 2012; Danes & Stafford 2011:94; Hania & Ashour 2012:23; Venter & Urban 2015:486). In addition, Hania and Ashour (2012:23) state that conflict among family members is more prominent in multi-generational family businesses, resulting from the significant difference in work ethic associated with the different generations.

According to Vassiliadis and Vassiliadis (2014:244) family businesses find it difficult to attract and retain skilled employees. Indalecio (2014) adds that family businesses struggle with the effective management of non-family employees. Botero and Litchfield (2013:374–397) agree that family businesses, especially smaller family businesses, are less likely to use formal human resource management practices. This causes family businesses to experience a variety of human resource challenges, including high employee turnover and low organisational commitment, when non-family employees view decision-making processes as discriminatory. Family businesses which employ and compensate family members based on their familial relationship, instead of basing the compensation structure on contribution in terms of skill and ability, will
create a culture of nepotism which will drive away non-family employees (Indalecio 2014; Scotland 2010:2; Venter & Urban 2015:485).

Moreover, a culture based on nepotism can also negatively influence proper succession planning in family businesses. Family business failure is also attributed to a lack of succession planning (Poza 2010:9; Vassiliadis et al. 2015:528). Vassiliadis et al. (2015:528), suggests that most family businesses do not adequately prepare for the transfer of management from the founding generation to the next. In support, various researchers (Alderson 2011:57; Burn-Callander 2014; Hnatek 2015:344; Kaunda & Nkoma 2013:158; Vassiliadis & Vassiliadis 2014:244) agree that most family businesses do not develop a succession plan to successfully introduce the next generation of family members into the businesses, resulting in most family businesses failing after the death of the owner.

A recent study (Papalexopoulou 2015) suggests that more than 80 per cent of entrepreneurs who wish to hand over the business to the subsequent generation, believe that those family members are unqualified. Managing the transfer of the business from one generation to the next has proven to be challenging for family businesses, since the successor is required to develop critical skills and acquire invaluable knowledge from the founder before the business can successfully be transferred (Duh, Letonja & Vadnjal 2015:87–88). Furthermore, Duh et al. (2015:87) cite that many family businesses fail after the transferal of ownership to the subsequent generation because this process, also known as “intrepreneurship”, often does not take place in family businesses, resulting in the successor not being equipped with the necessary skills to ensure the survival of the businesses (Kaunda & Nkhoma 2013:158).

Various researchers (Pérez-Cabañero, González-Cruz & Cruz-Ros 2012:120; Terzidis & Samanta 2011:67) find that many of the marketing challenges found in SMEs such as having a limited market impact, a lack of formal marketing practices, and inadequate understanding of marketing, sales and advertising, are also found in family businesses. Furthermore, the overlapping subsystems of family, management and ownership result in unique marketing challenges for family businesses. The marketing function in family SMEs is more complex than in non-family SMEs, because both family and management play an intricate role in crafting and implementing the marketing strategy (Pérez-Cabañero et al. 2012:119; Poza 2010:167). Researchers (Poza 2010:167; Sabri 2008:33; Terzidis & Samanta 2011:67–68) indicate that
disputes among family members regarding marketing policies is common in family businesses, especially in multiple-generational family business, where founders believe marketing is a waste of resources, while the more educated second generation acknowledges the importance of marketing.

Family businesses are faced with the challenge of creating a coherent perception of who they are and the benefits they offer their target market (Blombäck & Botero 2013:677; Botero et al. 2013:12; Khan & Ede 2009:339). Although various researchers (Astrachan & Astrachan 2015:5; Botero et al. 2013:12; Cambo 2015; Ghodeswar 2008:5; Khan & Ede 2009:339; Killbourn & Leino 2015) have indicated that family businesses can utilise a family-based brand identity to achieve such coherence, few family businesses are leveraging this competitive edge. Additionally, a study performed by Astrachan and Astrachan (2015:6) indicated that family businesses face various challenges in establishing and maintaining a family business brand.

Redmayne (2015) states that establishing a brand is more challenging for family businesses, owing to the overlapping subsystems of family and business. In other words, achieving cohesion between the emotional aspect of family and the business is a key issue in family-based branding. Schwass and Glemser (2014:5–6) highlight that the process of establishing a family-based brand identity can be very time-consuming, since it requires family business owners to critically analyse the identity of the family, and the vision and mission of the family business. In support, Miller (2015) explains that establishing a family-based brand identity is expensive, especially given that most family businesses are in fact family SMEs with various resource constraints. This situation results in marketing, and branding in particular, taking very low priority (Khan & Ede 2009:339; Renton, Daellenbach, Davenport & Richard 2015:152; Terzidis & Samanta 2011:67; Venter & Farrington 2009:135).

Family businesses which promote their family business status, face the risk of inducing negative associations within the minds of consumers, such as a lack of professionalism. Furthermore, family businesses which promote their family-based brand identity can also translate into increased public visibility and scrutiny of the family, especially during a period of a public relation disaster (Astrachan & Astrachan 2015:6). Englisch, Hall and Astrachan (2015:12) concur that some family businesses refuse to promote their family business status owing to safety concerns.
Despite these challenges, numerous studies (Astrachan & Astrachan 2015:10; Craig et al. 2008:355; Micelotta & Raynard 2011:197–197) found that family businesses can differentiate themselves in the marketplace by actively promoting their family business status using a family business brand. Chirico et al. (2011:486) and Craig et al. (2008:354) indicate that a strong family brand represents competitive bundles of resources that are not only intrinsic to the family, but are also valuable, rare and difficult to imitate. Thus, family businesses can leverage their familiness to achieve a sustainable competitive advantage over non-family businesses (Carrigan & Buckley 2008:657).

2.4 SUMMARY

The purpose of this chapter was to define and elaborate on the importance of SMEs in general and family businesses in particular. As in the case of defining SMEs, there is little agreement as to what constitute a family business, and as a result there is no agreed-upon definition of family businesses in literature. For the purpose of this study, a family business was defined as a business where at least two family members work in the business, and the family owns more than a 50 per cent share in the business.

The unique characteristics of family businesses were discussed with the aid of three conceptual models, namely the dual systems approach, the three-circle model, as well as the three-dimensional developmental model. The differences between family and non-family businesses, as well as their importance were also detailed. Despite family businesses sharing similar characteristics and challenges with non-family SMEs, family businesses face additional challenges because of their unique characteristics. Marketing as a challenge was also specifically referred to. The resource constraints and the lack of marketing skills shown by family SME owners have resulted in family SMEs not undertaking marketing activities. However, marketing is vital for the success of family SMEs, given that family SMEs are in the fortunate position to leverage their family business status to develop a unique family business brand. Bearing in mind the proposition that a lack of marketing could contribute to the high failure rate of family SMEs, Chapter 3 will focus on the nature and importance of marketing in general and branding in particular, as well as on these practices in family SMEs. Additionally, Chapter 3 will delve deeper into how family SMEs can use their family business status to develop a family business brand.
CHAPTER 3

NATURE AND IMPORTANCE OF MARKETING AND BRANDING PRACTICES IN FAMILY BUSINESSES

3.1 INTRODUCTION

In Chapter 2, the nature and importance of family SMEs was discussed. Although family SMEs play a significant role in the economic growth of South Africa, their lack of longevity is a concern (Visser & Chiloane-Tsoka 2014:427). According to Craig et al. (2008:354) and Zellweger et al. (2012:239), family SMEs can establish a family business brand to increase their performance. In other words, family businesses can use their family business status as a marketing and branding tool to enhance their performance, and thus ultimately also their survival.

This chapter will contextualise marketing and branding. Furthermore, the marketing and branding practices adopted by family SMEs will be elaborated on.

3.2 CONTEXTUALISING MARKETING

The following section will focus on the contextualisation of marketing, whereby marketing will be defined, followed by a discussion of the marketing process. In addition, the importance of marketing will be highlighted.

3.2.1 Defining marketing

During the last half-century, the nature of marketing has changed significantly (Reijonen 2010:280). The term “marketing” originated from the word “market”, which refers to a place where buyers and sellers converge in order to enter into transactions, by exchanging goods and services (Levy & Luedicke 2012:59; Masterson & Pickton 2014:6). In a market, buyers seek value from the goods and services they purchase, while sellers illustrate their offerings in a beneficial manner to the potential buyer in order to induce a sale (Masterson & Pickton 2014:6). Although these activities have not changed, the concept of marketing has changed from a short-
term exchange of goods and services for money, to creating a long-term relationship with customers (Grönroos 2010:398; Levy & Luedicke 2012:59; Masterson & Pickton 2014:3).

Kotler and Armstrong (2012:5) explain that a marketing paradigm shift has taken place from a telling and selling point of view towards satisfying customer needs. Blombäck and Craig (2013:425) are of the opinion that, as a result of the paradigm shift, many businesses are adopting a relationship marketing and network approach which emphasises value-added relationships with customers, enabling businesses to better understand and manage the marketing function. The “value-added” dimension which dominates marketing literature in the 21st century, is based on the notion that businesses cannot extract value from customers unless customers are also receiving value in return (Blombäck & Craig 2013:425). Various researchers (Berndt & Tait 2012:6; Kotler & Armstrong 2010:18) state that creating value for customers builds profitable and long-term relationships.

Marketing, according to Armstrong, Adam, Denize and Kotler (2015:4) simply refers to the managing of profitable relationships. Beck, Janssens, Debruyne and Lommelen (2011:253), in addition to Slater and Narver (1998:1001), indicate that marketing refers to the business of identifying customer needs and satisfying these needs more effectively than competitors. Bosch et al. (2011:384) concur that marketing is responsible for providing consumers with the right product or service, which is differentiated from that of competitors, either at a lower price or with the highest perceived value to satisfy customer needs. Thus, from a 21st century perspective, marketing is viewed as a much broader construct than traditionally thought, not being seen as a short-term exchange, but rather a long-term value exchange. It is clear that the primary theme underlying marketing is that of understanding and satisfying customer needs at a profit (Kotler 2002:1; Strydom 2004:10).

A more comprehensive definition of marketing is provided by the American Marketing Association (2004) and Saha et al. (2013:377) who define marketing as the “activities and processes by which an organization creates, communicates, delivers, connects with, engages and exchanges offerings that have value for its target audience, in order to convey the value, and sell its products and services”. Gallucci et al. (2015:157), along with Newman et al. (2016:74), are of the opinion that marketing relies on three important pillars, namely: understanding the needs and behaviour of consumers; continuously analysing the environment
to identify opportunities, which if undertaken can translate to a competitive advantage; and lastly, building sustainable relationships with both internal and external stakeholders that could ultimately influence business performance. Thus, marketing entails more than just the selling of products and services; it makes a significant contribution to the value of a firm (Berndt & Tait 2012:7; Craig et al. 2008:354; Kotler & Keller 2012:4).

Today, no globally agreed upon definition of marketing exists as the many that do, vary in scope and depth (Kotler & Armstrong 2012:4–5; Masterson & Pickton 2014:7). However, many definitions share similar descriptions and have an underlying thread of supplying need satisfying products and services and offering customers added value (Broady-Preston 2013:24; McDermott 2005:1). Therefore, for the purpose of this study the definition of marketing is based on one used by several researchers (American Marketing Association 2004; Gallucci et al. 2015:157; Newman et al. 2016:74; Saha et al. 2013:377), namely that marketing is “the activities undertaken to understand customer needs, in order to create, distribute, and promote need-satisfying products and services valued by customers, in a manner that facilitates building profitable, and long-term relationships with stakeholders”.

3.2.2 The marketing process

As was explained in the previous section, a marketing paradigm shift has taken place, whereby businesses aim to provide customers with value-added goods and services, as well as develop long-term relationships with customers, with the intention of capturing the value from customers in return (Berndt & Tait 2012:6; Blombäck & Craig 2013:425; Kotler & Armstrong 2010:19). Despite marketing being considered one of the most comprehensive business functions, Kotler, Burton, Deans, Brown and Armstrong (2013:5) (also cited in Armstrong et al. 2015:5) have reduced the marketing process into five relatively simple steps. As illustrated in Figure 3.1, the first four steps in the marketing process aim to understand and create superior value for customers, as well as develop profitable relationship with customers. After completing the four steps, businesses are rewarded for their efforts by receiving a return from customers, in the form of profits and customer equity (Armstrong et al. 2015:29; Blombäck & Craig 2013:424; Kotler & Armstrong 2012:5).
Figure 3.1: A simple model of the marketing process

Create value for customers and build customer relationships

Capture value from customers in return

Understanding the marketplace and customer needs and wants

Design a customer-driven marketing strategy

Construct a marketing program that delivers superior value

Build profitable relationships and create customer delight

Capture value from customers to create profits and customer equity

Source: Armstrong et al. 2015:5; Kotler et al. 2013:5

From Figure 3.1, it can be seen that the five steps are chronologically ordered, starting with understanding customer needs and wants.

3.2.2.1 Understanding the marketplace and customer needs (Step 1)

The first step in the marketing process is critical to the success of any business, since businesses cannot hope to survive if they supply a market offering for which there is no sustainable need or want in the market (Kazmi 2007:12; Kotler et al. 2013:19; Salvendy & Karwowski 2010:303). Van Scheers (2011:5051) highlights the importance of understanding customer needs and wants, by stressing that poor product demand is a major challenge for SME owners in South Africa. During the first step, businesses are required to undertake market research, which can be conducted through formal market research activities or verbal exchanges with customers, to gain a better understanding of their wants, needs and demands (Ennew & Waite 2007:324; Kotler & Armstrong 2012:6; O’Donnell 2011:785). After businesses have a full understanding of their customers, Step 2 can commence.

3.2.2.2 Design a customer-driven marketing strategy (Step 2)

Kotler et al. (2013:11) mention that the second step in the marketing process requires the business to segment customer markets, as well as select a target market since businesses are unable to serve all customers. In doing so, the businesses will have to address two important questions, namely “what customers will we serve,” and “how can we serve these customers best” (Kotler et al. 2013:19). Kotler and Armstrong (2010:22) explain that it is during this phase where the corporate-level strategy and marketing function cross paths, since businesses are required to select a value proposition. In other words, how will the business differentiate itself
Doole and Lowe (2005:14) as well as Johnson (2008), highlight the importance of a value proposition by stating that a strong value proposition can lead to a sustainable competitive advantage.

In order for businesses to achieve a sustainable competitive advantage, top management is required to implement a competitive strategy. Although there have been numerous competitive strategies invented over the years, the three generic competitive strategies invented by Porter, are the most widely accepted (Hough, Thompson, Strickland & Gamble 2011:148; Kumar, Subramanian & Strandholm 2011:37; Peng 2014:45; Vallabhaneni 2015:159). More specifically, the strategies imply that businesses are able to achieve a competitive advantage by undertaking either a low-cost leadership strategy, a focused or a differentiation strategy (Hough et al. 2011:149). According to Staude (2012:235), businesses implementing the low-cost leadership strategy aim to supply goods and/or services to customers at the lowest possible cost, implying that these businesses place great emphasis on reducing inefficiencies that increase operating expenses. The focused strategy (low-cost or differentiation), as implied by the name, requires businesses to carefully segment their target market, since the strategy is based on the business only serving a particular group of buyers (Fletcher & Crawford 2014:302; Hough et al. 2011:149; Staude 2012:234–235).

The aim of the differentiation strategy is to distinguish a business’s products or services from those of its rivals (Vallabhaneni 2015:159) by creating a unique brand image (Craig et al. 2008:355) and identity for supplying high quality products or providing excellent customer service (Davis, Dibrell & Janz 2002:340–342; Hough et al. 2011:160–161). The differentiation strategy is underpinned by the business providing customers with superior value by adopting either a product or a customer service value proposition (Craig et al. 2008:355; Kokemulle 2015; Sawhney 2015:366; Thompson 2015:19).

For the purpose of this study, the product and customer service differentiation competitive orientations were deemed the most important mechanisms to achieve a competitive advantage through differentiation. Each of them will be briefly discussed in the following sections.
Product differentiation (product-centric competitive orientation)

A product differentiation competitive orientation refers to the marketing process of incorporating unique features, or product attributes that make a product stand out, in comparison to other similar products (Rosenblom 2013:305; Williams 2016; Vallabhaneni 2015:159). The underlying idea of product differentiation is that the product has elements that customers perceive to be unique, resulting in customers not considering alternative products. In addition, the aim of product differentiation is to create a perception in the minds of customers that there are significant differences between the product, and other similar products (Rosenblom 2013:305). Hence, product differentiation is able to stimulate brand loyalty among customers, and customers are therefore willing to pay a premium price for the product (Hubbard, Rice & Galvin 2015:181; Rosenblom 2013:305; Williams 2016; Vallabhaneni 2015:159). Product differentiation can take many forms, including unique packaging, product features, product quality, product reliability, and product innovation (Dirisu, Iyiola & Ibidunn 2013:259; Rosenblom 2013:305).

Businesses which undertake a differentiation strategy based on the attributes of products are often associated with a product orientation, also known as product-centricity (Baaaj 2014:145; Mascarenhas 2011:391; Sendhilvelan & Karthikeyan 2008:10). The product orientation is considered to be a closed orientation, given that the business’s primary focus is on achieving its own objectives (Bodlaj & Rojsek 2010:91). A highly product-orientated business assumes that customers will buy high quality products with innovative features. The business is focused on the research and development of superior products; however, no input or feedback is obtained from customers as to whether the product is actually satisfying their needs, since the business believes that the best product will sell itself (Bernstein 2014:35; Lantos 2015:11; Richards 2015:600; Shinde & Tajane 2014:16). Fifield (2007:7–8) and Kotler (2003:34) add that product driven businesses are often so detached from customers that they fail to recognise differences in customer needs. Thus, the fierce market pressures associated with the 21st century, has resulted in more businesses opting for a customer-centric orientation (Kotler & Armstrong 2012:528).
(b) Customer service differentiation (customer-centric competitive orientation)

Various researchers (Armstrong et al. 2015:191; Baicoianu 2011; Estelami 2010:195; Estepon 2011) state that a customer service differentiation competitive orientation refers to the business differentiating its service in the marketplace by offering customers a high quality service, as well as value-added customer support in the form of warranty, excellent after-sales service, and quick delivery. Gebauer, Gustafsson and Witwell (2011:1270) explain that a competitive advantage through customer service differentiation is more enduring, since it is more dependent on labour. In other words, delivering superior service is less visible than the physical attributes of products, making it more difficult for competitors to imitate. Gebauer et al. (2011:1272) are of the opinion that businesses adopting a customer service differentiation strategy often have a customer market orientation, also known as customer-centricity.

A customer market orientation is classified as an open orientation, since the business relies on identifying and satisfying customer needs in order to survive (Bodlaj & Rojsek 2010:91). Businesses which are highly customer-orientated, assign a high priority to building a profitable and long-term relationship with customers, implying that customers play a central role in the businesses’ strategic direction and operational decisions. Furthermore, customer-orientated businesses continuously seek feedback from customers with the aim of generating market intelligence, which in turn can be utilised to improve their understanding of customer needs, and assist the business in providing superior customer value (Beck et al. 2011:253; Gebauer et al. 2011:1272; Newman et al. 2016:74; Zachary, McKenny, Short & Payne 2011:336). In this regard, Gebauer et al. (2011:1272) confirm that customer-centric businesses are able to gather information directly from customers resulting in them being in a better position to identify and adapt to changing customer needs. Once the business has selected a value proposition (product or customer), Step 3 of the marketing process can commence.

3.2.2.3 Construct an integrated marketing programme that delivers superior value (Step 3)

As illustrated in Figure 3.1, Step 3 of the marketing process requires the business to develop an integrated marketing plan and programme. The purpose of the marketing plan is to transform the marketing strategy selected in Step 2, into a marketing plan that will assist in delivering value to the selected target market (Kotler & Armstrong 2012:12; Kotler et al. 2013:20). The
marketing plan will address the “four Ps of marketing” (product, price, place and promotion) (Armstrong et al. 2015:29), which assist the business in realising its value proposition. After selecting the optimum combination of product, price, place and promotion, the business can commence with Step 4, namely building profitable relationships with customers (Armstrong et al. 2015:29).

3.2.2.4 Build profitable relationships and create customer delight (Step 4) and capture value from customers to create profits and customer equity (Step 5)

During Step 4, emphasis is placed on establishing profitable, long-term relationships with the selected target market (Armstrong et al. 2015:14; Kotler et al. 2013:20). Armstrong et al. (2015:14) propose that businesses make use of a customer relationship management (CRM) strategy to facilitate the relationship building process. In support, Buttle and Maklan (2015:5) state that CRM is a vital strategy, enabling businesses to establish and build long-term relationships with customers, and also assisting in the retention of customers. In addition, CRM is more likely to be present in a customer-centric business than in a product-centric business owing to the inherit focus of the business. However, the competitive market forces are forcing product-centric businesses to place increased focus on customer retention strategies such as CRM (Buttle & Maklan 2015:5; Kale 2015:9; Peppers & Rogers 2002; Suphan 2015:183; Vogt 2008:32). The marketing process is concluded when the business is able the capture customer value (Step 5 in Figure 3.1). In other words, if the business has successfully created value for its target market, it will be able to capitalise on loyal customers who make repeat purchases (Kotler & Armstrong 2010:33).

It can be concluded that marketing plays a vital role in attracting and retaining customers. In addition, the importance of marketing extends beyond that of a functional level, also playing a central role in the competitive orientation of a business. The importance of marketing will be discussed in the following section.

3.2.3 The importance of marketing

Marketing is one of the most important functions of a business, since the responsibility of generating sales resides with marketing. In other words, marketing is responsible for generating
the income of the business (Kotler & Armstrong 2010:18; Van Scheers 2012:5051). Fifield (2007:6) supports this view by stating that marketing is the only business function responsible for generating profits, while all other areas of the business represent costs. Therefore, marketing is one of the fundamental pillars needed to achieve business objectives and to contribute directly to the success of a business (Franco, Santos, Ramalho & Nunes 2014:266; Kotler & Armstrong 2010:18; Van Scheers 2012:5051).

Goltz (2011) together with Kotler and Keller (2012:3–4) argue that without adequate demand for a business’s goods and services, the other business functions will no longer be relevant as the financial success of businesses depends heavily on its marketing ability to identify and satisfy customer needs. Thus, since a firm’s business plan and activities are based on satisfying the identified target markets wants and needs, marketing should take the lead role in crafting the business strategy (Bosch et al. 2011:590; Kotler 2015). In addition, in today’s hypercompetitive marketplace, competitors are willing to compete on lower margins and prices, resulting in more businesses turning to marketing, and more specifically to branding, to compete on factors other than price (Franco et al. 2014:265; Kotler 2003:xi; Wiiding 2014).

Customers are presented with more market offerings than ever before, resulting in low customer loyalty. This requires businesses to find new innovative ways to retain customers (Chang, Chiang & Han 2015:120; Razeghi, Roosta, Alemtabriz & Gharache 2014:121; van Belleghem 2014). The changes in market forces have resulted in more businesses opting for branding not only to retain customers, but also to promote the business and its employees behind their market offering (Alizadeh, Moshabaki, Hoseini & Naiej 2014:16; Chang et al. 2015:123; Razeghi et al. 2014:121; Tai 2009:26). Therefore, in the following section, branding will be contextualised.

3.3 CONTEXTUALISING BRANDING

In this section, branding will be contextualised by defining the concept, followed by a discussion of the differences between marketing and branding. Subsequently, the different forms of branding will be highlighted, together with the differences between product and corporate branding. The importance of corporate branding will then be discussed, this being the focus of the present study. The chapter will be concluded with a discussion of the marketing and branding practices adopted by family SMEs.
3.3.1 Definition of branding

The term “brand” stems from the Old Norse word brandr, which means “to burn by fire” (Maurya & Mishra 2012:122). This word was used in reference to marking livestock by burning the owner’s brand onto them, whereby the marking served as a sign of ownership, and enabled owners to more easily identify their livestock (Millman 2011:2; Rowles 2014:7; Zook & Smith 2016:41). Brands are still considered to be a means of marking goods and services; however, the meaning of a brand has progressed significantly since then, resulting in different perceptions of what constitutes a brand (Maurya & Mishra 2012:122; Wayner & VanSlette 2013:447). According to Wayner and VanSlette (2013:447), there are two main schools of thought surrounding brands, namely a classical and a contemporary school of thought, which will be discussed below.

(a) Classical school of thought

The classical school of thought focuses on defining brands from a tangible and legal perspective. The American Marketing Association defined brand in the 1960s as “a name, term, design or symbol or a combination of the aforementioned elements, which is used to identify goods and services of a specific seller and to differentiate a specific sellers’ goods and services from that of rivals” (Heding, Knudtzen & Bjerre 2009:9; Ross 2015:258; Trott & Sople 2016:4). Thus, from the American Marketing Association’s perspective, brands are considered as tangible and visual elements, such as symbols and logos that enable stakeholders to easily identify the producer of goods and services (Maurya & Mishra 2012:123).

From a legal perspective, a brand is a sign or trademark that indicates to the customer the source of a specific product or service, with the purpose of protecting both the customer and producer from industry rivals who supply products that appear to be identical (Aaker 1991:7; Gallagher & Savard 2009:1; Ghodeswar 2008:4; Kapferer 2012:8). Therefore, brands can also be seen as a legal instrument that signals ownership to stakeholders (Maurya & Mishra 2012:123). Gallagher and Savard (2009:2) indicate that the owner of the trademark (brand) has the legal authority to prevent others from using the trademark. However, according to Maurya and Mishra (2012:123–124), the legal protection of trademarks is limited. Thus, the classical approach to brands, which only includes a visual or tangible aspect such as the trademark, brand
name and logo, has been criticised since the strategic role of brands has changed from a source of identification to a source of competitive advantage through effective differentiation (Blombäck & Botero 2013:678; Zook & Smith 2016:35).

(b) Contemporary school of thought

In the contemporary school of thought, brands should be viewed from both a tangible and intangible perspective (Trott & Sople 2016:4; Verma 2010:87), since a brand represents more than simply a business’s name or logo on a product or service (Dumitriu 2012:130; Maurya & Mishra 2012:122). The reason for this is that brands are mentally processed and reside in the mind of customers, and are known to create awareness and recognition in the market (Blombäck & Botero 2013:679; Verma 2010:87; Weitz & Wensley 2002:7). From the contemporary perspective, brands can no longer be viewed only from a tangible aspect, but should rather be viewed from both a tangible and intangible perspective (Trott & Sople 2016:4; Verma 2010:87).

Hammond (2008:14) defines a brand as “a customer’s total experience of a business, as well as its products and services”. In this regard, Maurya and Mishra (2012:124) explain that because people have limited memory capability, they transform large amounts of information into smaller pieces which they are able to better remember and recall, and individuals use brands to recall the chunks of information. Thus, Trott and Sople (2016:4) define a brand as “the emotional and psychological associations’ customers hold towards a product or service of a particular business”.

Similarly, Simeon (2006:464) refers to brands as “a set of characters, emotions or images, which is used by customers to associate a symbol, product or service with a specific business”. Brands are not products; products are physical in nature and can be imitated and purchased in a shop, while a brand is unique and cannot be copied by rivals, since a brand refers to how customers perceive a product or service (Baig, Tahir, Shahzadi & Azar 2013:14; McDonald 2013:1827; Trott & Sople 2016:4; Verma 2010:87). A brand is more than just a physical product, since it includes various unique elements and dimensions, which aim to differentiate it from other similar products or services, which are designed to satisfy the same need (Baig et al. 2013:14; Ghodeswar 2008:4; Kotler & Keller 2012:241).
The tangible differentiating features of brands can be functional and more perceptible when they relate to the symbol, packaging, and product performance of the brand (Kotler & Keller 2012:241), while the intangible elements include value-added benefits associated with a businesses’ products or services (Kapferer 2012:42; Verma 2010:87). In addition, Kapferer (2012:42), and Verma (2010:87) note that the intangible elements can also be more emotional when the differentiating features are related to the perception of quality, status, as well as what the brand stands for. According to the contemporary school of thought on brands, the tangible and intangible attributes of a brand aim to create a positive connection with customers, with the purpose of creating an incentive for customers to purchase the business’s products and services in the present, as well as in the future (Alizadeh et al. 2014:15; Gallagher & Savard 2009:2; Ghodeswar 2008:4).

From the aforementioned discussion it is clear that brands can be viewed from a variety of perspectives. However, it is important to understand how branding and marketing differ from each other, since the two concepts are often perceived as similar, while they are in fact different (Somma 2014).

3.3.2 Differences between marketing and branding

Despite being used interchangeably, the concepts of marketing and branding are fundamentally different (McCoy 2015; Morgan 2012:27). Manternach (2015) as well as Morgan (2012:28) propose that the major difference between marketing and branding is the difference in time horizon, whereby marketing is short-term orientated and branding long-term. Yadav (2016) believes that a brand is what remains, long after a marketing campaign has ended, as well as the associations that reside within the minds of stakeholders. In support, McCoy (2015) and Somma (2014) indicate that marketing is a tactical function performed by the marketing department, emphasising the advertisement and promotion of products and services. In contrast, branding is strategically orientated, focused on managing the brand identity and managing the brand as an intangible business asset, with the aim to shape stakeholder’s long-term feelings towards the business and its product offerings (McCoy 2015; Somma 2014). Cunningham (2015) clarifies that the brand, its value and how it is perceived, is determined by the customers (externally), while the marketing function is controlled internally by the business itself.
Manternach (2015) further explains that the branding strategy occurs before the marketing strategy. This is largely attributed to the fact that businesses are rarely able to compete solely based on product quality, because product attributes are easily imitated by industry rivals. More importantly, businesses that do not have a clear and well-defined brand will be forced to compete on price, which is rarely a basis for a sustainable competitive advantage (Kumar & Reinartz 2012:12; Manternach 2015; Razeghi et al. 2014:121). Branding allows businesses to present themselves to customers in a positive manner, which in turn enables stakeholders to attach meaning to a particular brand and induce an emotional response from stakeholders (McCoy 2015; Morgan 2012:29; Somma 2014). In essence, marketing aims to induce a sale by convincing customers of the benefits associated with the product, while branding on the other hand, draws on a customer’s loyalty to close a sale (McCoy 2015).

Cunningham (2015) proposes that a significant difference between marketing and branding is that the brand represents who the business is, what it stands for, and what its promises to customers are, while marketing is the tool used to convey the message. If the brand is well defined, it explains what the purpose of the business is, along with the culture manifested within the business, what it is the business offers customers that is unique, and how the business intends to deliver on its promise (Cunningham 2015; McCulloch 2015). Tulien (2016) supports this view, noting that the brand serves as the foundation of the marketing efforts since the brand clarifies the brand content and a way of being that is communicated through the marketing efforts. In this regard, Tulien (2016) suggests that the brand, its promise and delivery, are more important than the marketing efforts. If the brand cannot deliver on its promise to customers, the marketing efforts will be fruitless.

It can be concluded that marketing and branding are in fact different, and that branding serves as the foundation of the marketing efforts (Manternach 2015; Tulien 2016). The different forms of branding will be elaborated on in the paragraphs that follow.

3.3.3 The different forms of branding

According to Alizadeh et al. (2014:14), there are mainly two forms of branding, these being product and corporate branding.
3.3.3.1 Product branding

According to several sources (Micelotta & Raynard 2011:199; Ormeno 2007:17; Parmentier 2011:218; Xie & Boggs 2006:347–348), product branding represents the lowest level on the brand hierarchy, since it focuses on establishing and building different identities for each product by incorporating unique product features, whereby the image associated with each product varies. In addition, Baig et al. (2013:13) mention that product branding entails answering “who the product is” and “why should customers care.” Therefore, product branding occurs when a business assigns a brand name to each individual product, whereby each product brand enjoys the benefit of complete autonomy (Davis 2010:64; Kapferer 2012:314; Kashmiri & Mahajan 2014:86). Product brands, being flexible in nature, enable businesses to incorporate varying product features, thereby facilitating the business to appeal to a wider market segment (Xie & Boggs 2006:350).

However, product branding has been criticised by various authors (Davis 2010:65; Xie & Boggs 2006:350) for increasing marketing costs, often resulting in lower brand profitability since it targets many small market segments. Chang et al. (2015:120), along with Razeghi et al. (2014:121), indicate that businesses are no longer able to achieve a competitive advantage solely based on product performance, since products have become more similar over time, while businesses have become more different. More businesses are moving away from product branding, towards establishing a more comprehensive corporate brand (Alizadeh et al. 2014:14; Heding et al. 2009:51; Kasemsap & Rajabhat 2016:181; Razeghi et al. 2014:121).

The main reason for the shift towards creating a more comprehensive corporate brand is vested in the changing market forces associated with the technologically driven 21st century, which have led to shortened product life cycles, diminishing brand loyalty, increased customer purchasing power and enhanced customer selectivity (Blombäck 2009:4; Razeghi et al. 2014:121; Xie & Boggs 2006:349). In addition, Hatch and Schultz (2003:1041) state that businesses are experiencing difficulties in preserving their product differentiation strategies based on the homogeneousness associated with products and services. As a result, businesses are changing their focus from product branding to corporate branding by promoting the people and business behind the brand as a means of differentiation (Alizadeh et al. 2014:14; Chang et al. 2015:120; Razeghi et al. 2014:122).
Corporate brands and corporate branding have been defined in many ways by various researchers (Balmer 2010:186; Einwiller & Will 2002:101; Hatch & Schultz 2008:11). It is important to understand the difference between corporate brands and corporate branding, since the two are often used interchangeably, while they do in fact represent different dimensions of branding (Meierer 2011:8). Table 3.1 summarises several definitions of corporate brand and corporate branding.

**Table 3.1: Definitions of corporate brand and corporate branding**

<table>
<thead>
<tr>
<th>Corporate brand</th>
<th>Corporate branding</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The visual, verbal and behavioural expression of an organization’s unique business model”. (Knox &amp; Bickerton 2003:1013)</td>
<td>“Systematically planned and implemented process of creating and maintaining a favourable reputation of the company with its constituent elements, by sending signals to stakeholders using the corporate brand”. (Ahonen 2008:2; Einwiller &amp; Will 2002:101)</td>
</tr>
<tr>
<td>“Distinctive image (or imaginary picture) of a corporation, tightly anchored in the psyche of the stakeholder, that influences the behaviour of stakeholders”. (Fiedler &amp; Kirchgeorg 2007:177)</td>
<td>“Conscious decision by senior management to distil and make known the attributes of the organisation’s identity in the form of a clearly defined branding proposition. This proposition underpins organisational efforts to communicate, differentiate, and enhance the brand vis-a-vis key stakeholder groups and networks”. (Balmer 2001:281)</td>
</tr>
<tr>
<td>“The communication interface between the organisation and its stakeholders”. (Leitch &amp; Richardson 2003:1069)</td>
<td>“The total sum of organizational signs that are being transferred to its various audiences through the core values for which the organization stands”. (Rode &amp; Vallaster 2005:121)</td>
</tr>
<tr>
<td>“A distillation of corporate identity attribution into clearly defined perceived attributes and associations that are linked to a corporate name and, secondary, to an institutional marquee, corporate brands are born out of corporate identities, but live in the minds of groups and individuals”. (Balmer 2010:186)</td>
<td>“The basic principal of Vision-Culture- Image (VCI) Alignment Model – that the greater the coherence of vision, culture, and images, the stronger the brand”. (Hatch &amp; Schultz 2008:11)</td>
</tr>
</tbody>
</table>

Source: Adapted from Sheikh 2012:27

From Table 3.1, it can be seen that corporate branding refers to the systematic process of managing the corporate brand. Corporate brands, similar to product brands, aim to differentiate the business’s products and services from those of competitors, however corporate brands also aim to differentiate the business itself. The importance of corporate branding extends beyond
that of differentiation by means of visual presentations. It aims to differentiate the entire business by emphasising the values and history the business (Khan 2009:28; Maurya & Mishra 2012:4). In essence, corporate branding is the promotion of an entire business as a brand to multiple stakeholders by defining the business and the employees behind the market offering.

Balmer (2012:1065) believes in order for a corporate brand to be credible, it has to be based on the corporate identity of the business. The corporate identity notion commonly refers to a combination of elements and differentiating attributes that makes the business unique, including its scope, philosophy, strategy, culture, design, and people (Balmer 2012:1070; Krappe et al. 2011:38). Corporate branding is used as a platform to present the business to customers in a distinctive manner (Khan & Ede 2009:339; Simoes, Singh & Perin 2015:59). Moreover, a corporate identity consists of the primary beliefs and values of a business that its top management and employees believe are the most unique and most difficult to imitate. A corporate identity is created by answering “who we are as a business” and “what we do as a collective” (Blombäck & Ramírez-Pasillas 2012:9; Kansikas & Nemilentsev 2010:33; Memili et al. 2010:201; Zellweger et al. 2012:239).

A corporate brand identity is used to translate the corporate identity into shortened and more distinguishable elements, including slogans and symbols, which is used to convey the corporate identity to stakeholders (Blombäck & Ramírez-Pasillas 2012:9–10). Furthermore, Knox and Bickerton (2003:1013) as well as Micelotta and Raynard (2011:199) state that the corporate brand identity is not only communicated using the business’s name and logo; instead, the corporate brand is also conveyed to customers through the behaviour of the business and its employees. It is important that the behaviour of employees are aligned with the values associated with the corporate brand identity (Blombäck & Ramírez-Pasillas 2012:9). Blombäck and Ramírez-Pasillas (2012:9) explain that the corporate brand identity aims to foster positive corporate brand images among stakeholders.

A corporate brand image refers to the mental associations customers hold towards a brand, which resides in the minds of customers. In other words, a corporate brand image reflects how stakeholders perceive the business (Chang et al. 2015:120; Memili et al. 2010:200). The associations represent customer feelings and thoughts towards a brand. If customers have positive mental associations of a brand, they will prefer the brand over competing brands.
Therefore, positive brand images are directly related to customer loyalty. The corporate image, and mental associations are formed based on stakeholders’ overall interaction and experience with a brand (Blombäck 2009:8).

Botero and Blombäck (2010:5) contend that the associations can also be formed by word-of-mouth, as well as by the opinion of relatives. Therefore, the corporate brand image which is external to the business can never be completely managed internally, since the image is formed by stakeholders. As a result, Chang et al. (2015:120) as well as Memili et al. (2010:202) propose that businesses are required to continuously manage the process to ensure that what the business wants stakeholders to think corresponds to what stakeholders actually think of the business.

From the aforementioned, it can be concluded that corporate branding is an extensive process, requiring the widespread participation of the entire business, and despite corporate branding being derived from product branding, there are fundamental differences between the two forms of branding. These differences will be discussed in the following section.

3.3.3.3 Differences between product branding and corporate branding

First, product branding, as its name suggests, focuses on the branding of products to customers, while corporate branding focuses on branding the entire business to multiple stakeholders (Balmer & Gray 2003:977; Bronn 2010:311; Shahri 2011:52). From Table 3.2, it can be seen that product branding connects customers to the business by means of distinct product brands, while corporate branding connects the business’s multiple stakeholders as well as its products and services with one another, through their respective relationship with the business (Balmer & Gray 2003:976; Bronn 2010:311; Hatch & Schultz 2003:1045).
Table 3.2: Key differences between product and corporate branding

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Product branding</th>
<th>Corporate branding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus attention on</td>
<td>The product</td>
<td>The business</td>
</tr>
<tr>
<td>Stakeholder focus</td>
<td>Consumers</td>
<td>Multiple stakeholders</td>
</tr>
<tr>
<td>Functional responsibility</td>
<td>Marketing</td>
<td>All departments</td>
</tr>
<tr>
<td>Importance to business</td>
<td>Functional</td>
<td>Strategic</td>
</tr>
<tr>
<td>Disciplinary roots</td>
<td>Marketing</td>
<td>Multidisciplinary</td>
</tr>
<tr>
<td>Brand gestation</td>
<td>Short (life of product)</td>
<td>Long (life of business)</td>
</tr>
</tbody>
</table>

Source: Adapted from Balmer & Gray 2003:978; Hatch & Schultz 2001:1044; Verma 2010:50

As implied in Table 3.2, Verma (2010:50) confirms that product brands supplement a physical product with functional value, while corporate branding does not have physical elements. Corporate brands therefore add value to the functional element of a product by attaching symbolic meaning (Verma 2010:50). Product branding falls under the responsibility of the marketing department because product branding is a functionally orientated activity that has its disciplinary roots only in marketing (Balmer & Gray 2003:976; Chang et al. 2015:120–121; Heding et al. 2009:51).

Corporate branding, on the other hand, falls under the responsibility of the entire business. In other words, corporate branding requires the widespread support and participation of the entire business, across all functional units (Bronn 2010:311; Chang et al. 2015:120; Heding et al. 2009:51; VanAuken 2015:278). As a result, corporate brands stem from multiple disciplines (Balmer & Gray 2003:976). The importance of organisational widespread participation stems from the fact that corporate branding makes the business, along with its employees, more susceptible to public scrutiny. Thus, the actions of the business and the behaviour of their employees are more visible to the public (Bronn 2010:311; Chang et al. 2015:120; Hatch & Schultz 2001:5; Heding et al. 2009:51; VanAuken 2015:278). In addition, employees at all levels of the business play an integrate role in transmitting, building, and realising the brand’s values since employees act as a link between the internal and external environment (Balmer & Gray 2003:979; Helm, Renk & Mishra 2016:60).

As illustrated in Table 3.2, corporate branding is strategically orientated, and based on the fact that the business’s vision for the future plays an integral part in forming the corporate brand.
Corporate branding implies a long-term horizon, since its duration is connected to the lifespan of the business (Bronn 2010:311; Heding et al. 2009:51; Verma 2010:50). The lifecycle of product branding on the other hand is short-term, since its lifespan is directly related to the life of the product (Heding et al. 2009:51; Verma 2010:50).

In summary and as indicated in Table 3.2, the importance of corporate branding is strategically orientated, implying that corporate branding can play an important role in the performance of a business. This is expanded in the following section.

3.3.4 Importance of corporate brands and corporate branding

Strong brands are increasingly recognised as one of the most valuable intangible organisational assets, especially in today’s competitive business environment where sometimes the only thing a business can offer their customers is a brand experience (Berthon 2007:12; Lee, Yang, Mizerski & Lambert 2015:4; Malaska et al. 2011:1144). Jones (2010:44) indicates that corporate branding is a vital tool for addressing the various challenges businesses are faced with in today’s environment.

Many businesses are struggling to craft and maintain a sustainable competitive advantage given the fierce market conditions. In addition, the rapid advances in technology have led to a more transparent environment, where information about a business’s products and services is readily available to customers. As a result, businesses are faced with the challenge of creating a coherent perception about who they are and the benefits they offer their target market (Cambo 2015; Gallucci et al. 2015:157; Gekonge 2014:228; Ghodeswar 2008:5). According to various researchers (Blombäck & Botero 2013:677; Cambo 2015; Ghodeswar 2008:5; Khan & Ede 2009:339), corporate branding can be used by businesses to achieve such coherence. Jones (2010:44) states that the strategic importance of corporate branding is twofold: first, businesses are able to achieve a sustainable differential advantage based on its unique corporate identity, and second, corporate branding plays a vital role in ensuring the behaviour of employees is reflective of the desired corporate identity.

A differential advantage based on corporate branding is considered more sustainable and enduring, since it is more difficult to imitate. In this regard, businesses are able to differentiate
not only their products, but also the whole business, and favourably position themselves in the minds of stakeholders (Alireza et al. 2014:14; Balmer & Gray 2003:989; Heding et al. 2009:51; Ormeno 2007:18). Through corporate branding, businesses are able to promote the business, and the people behind the business, as well as its offerings to stakeholders (Ormeno 2007:18).

A strong corporate brand can also align employee behaviour with that of the corporate identity, thereby ensuring consistency between customer and business interaction (Alireza et al. 2014:16). Alireza et al. (2014:16) together with Podnar (2015:34) state that corporate branding ensures that a clear and consistent message is conveyed to stakeholders, thereby reducing the chance of conflicting messages being sent to customers.

Chang et al. (2015:123) believe that businesses with a strong corporate brand can project a corporate image that implies trusts, competency and social responsibility to customers. Thus, a corporate brand is able to earn recognition and trust from customers, which in turn can result in customer loyalty (Miletsky 2010:219; Presas, Munoz & Guia 2010:276). Moreover, corporate brands stimulate associations of credibility and trustworthiness in the minds of stakeholders. This is why corporate brands are considered a vital public relations tool when the business’s integrity is under fire, since the business is able to draw on its corporate brand reputation, which will give the business the benefit of the doubt (Abratt 2015:39; Kotler, Kartajaya & Setiawan 2010:114; Winters 2015).

Baig et al. (2013:14) as well as Ferrell and Hartline (2014:204) state that the benefits of strong brands extend beyond the business, to assisting customers with the identification of products. Moreover, Chang et al. (2015:120) maintain that the importance of corporate branding is rooted in its ability to foster customer brand associations, which influences how customers evaluate a business as well as its products and services. In addition, brands are able to reduce the perceived risk for customers, and assist customers in determining the quality of a product. Furthermore, brands are able to reduce time-consuming making of decisions and testing comparisons for customers, since brand names provide customers with information about its content, quality, price and durability (Baig et al. 2013:14; Baines, Fill & Page 2013:219; Boga & Weiermair 2013:142; Micelotta & Raynard 2011:199). Lindemann (2003:33) explains that brands also have a social value.
Businesses with strong brands are more likely to behave in a socially responsible manner in order to protect their brand, as well as their reputation. Furthermore, brands have created a more competitive environment forcing businesses to innovate and invest in research and development in order to improve product performance, to the advantage of the customer (Lindemann 2003:33). Blackett (2003:18–19) stresses that the value of a business’s brand plays a significant role in the financial valuation of the business, and brands are recognised by investors as just as important as other productive assets.

Various researchers (Gallucci et al. 2015:157; Shahri 2011:51; Simoes et al. 2015:60) are of the opinion that the value of corporate branding lies in its ability to generate current and future cash flows from loyal customers by positioning products and services in the minds of consumers that will yield repeat purchases. In support, Blombäck and Botero (2013:678) state that the importance of branding is derived from its ability to generate future cash flow based on repeat purchases from loyal customers, licensing opportunities, and the possibility of brand extensions, among others. Moreover, Simoes et al. (2015:60) along with Zook and Smith (2016:34) are of the opinion that corporate branding can positively influence business performance by increasing the number of customer who are loyal to the brand, and are thus prepared to pay a premium price for a reliable brand. Baines et al. (2013:315), as well as Beck and Kenning (2015:1127) support this view, stating that corporate branding can foster the acceptance of cross-product promotions, resulting in additional sales. Thus, it can be assumed that corporate branding does increase turnover and profitability (Reid & Bojanic 2010:268; Shahri 2011:51; Simoes et al. 2015:60).

It can be concluded that both corporate branding and corporate brands play a vital role in the performance of all business, including family SMEs. This, together with the marketing and branding practices of family SMEs will be discussed in the following sections.

3.4 MARKETING AND BRANDING PRACTICES OF SMALL AND MEDIUM-SIZED FAMILY BUSINESSES

The marketing and branding practices of family SMEs will now be examined. First, marketing differences between SMEs and large businesses will be elaborated on, together with how
marketing differs between family and non-family SMEs. Second, the nature of branding in family SMEs will be discussed.

3.4.1 Marketing differences between small and medium-sized businesses and large businesses

Van Scheers (2011:5049), as well as O’Donnell (2011:781), state that despite much previous research focusing on marketing practices in larger businesses, there is a growing interest in the marketing practices adopted by SMEs. Walsh and Lipinski (2009:569) indicate that the unique characteristics inherent in SMEs have resulted in fundamental differences in the marketing practices adopted by SMEs, in comparison to their larger counterparts.

In SMEs, the marketing approach is heavily influenced by the SME owner’s innovative and proactive personality, since marketing is often performed only by the SME owner (Bettiol, Di Maria & Finotto 2012:224; Cant 2012:1108; McCartan-Quinn & Carson 2003:204; Morrish 2011:112; Van Scheers 2011:5049), whereas in larger business, the marketing function is managed by marketing specialists and there is often a whole department dedicated to the marketing activities of the business (Kotler et al. 2013:80; Satija 2009:148).

As a result of large businesses’ strong market presence and established market share, they have access to large amounts of capital and resources for marketing purposes, resulting in a more formal, structured and strategic approaches to marketing (Franco et al. 2014:277; Volkman, Tokarski & Grünhagen 2010:190; Walsh & Lipinski 2009:571). SMEs on the other hand have limited market power, resulting in SMEs operating in niche markets that are often neglected by large businesses (Walsh & Lipinski 2009:571). Moreover, Pérez-Cabañero et al. (2012:121) state that SMEs are faced with limited financial resources owning to their size, resulting in them opting for a more simplistic marketing approach, which is described by various researchers (Ahmad & Saber 2015:3; Ntanos & Ntanos 2014:154; Terzidis & Samanta 2011:67) as informal, unstructured, spontaneous, simple, and reliant on intuitive ideas and common sense.

Despite SMEs resource constraints, Franco et al. (2014:267) state that the inherent flexible and innovative nature of SMEs enables them to initiate decisions and actions quicker than larger businesses, which are often hampered by bureaucracy and hierarchical thinking (Anderson &
Ulla 2014:327). The fact that they are closer to the market than their larger counterparts enables SMEs to respond promptly to changing customer needs (McCartan-Quinn & Carson 2003:202; Renton et al. 2015:151). Several authors (Franco et al. 2014:267; O'Donnell 2011:781; Reijonen 2010:281) are of the opinion that the close proximity of SMEs to their target markets provides them with the opportunity to develop interpersonal relationships with their customers. Furthermore, their close proximity enables them to adjust their product offering in response to changes in customer needs and preferences more quickly than larger businesses (Anderson & Ulla 2014:327; Sak & Taymaz 2004:1; Stokes & Wilson 2006:4).

According to Walsh and Lipinski (2009:572), a marketing activity that is particularly popular in SME literature is that of networking. SMEs often make use of extensive networking as their main form of marketing, which suits their flexible and innovative approach. Baker (2003:771) and Fayolle (2009:223) explain that networking is often more important for SMEs than for large businesses, because SMEs, unlike large businesses, do not have a large budget available to conduct market research or gather market intelligence. SME owners network by collaborating with their peers in order to increase their market knowledge, gain access to marketing resources and identify new opportunities (Gilmore 2011:141; Parry, Rosalind, Rowley & Teahan 2010:4; Walsh & Lipinski 2009:572).

It can be concluded that there are significant differences between the marketing practices of SMEs and large businesses. In addition, because of the limited resources associated with both family and non-family SMEs, they are known to have various marketing challenges, with family SMEs often having more distinctive marketing challenges. Some of these will be discussed in the following section.

3.4.2 Marketing challenges among small and medium-sized family and non-family businesses

As discussed in section 3.2.3, marketing plays a pivotal role in the success of a business, especially in SMEs (Reijonen 2010:291). Van Scheers (2011:5049) explains the importance of marketing for SMEs in that marketing determines whether or not the business will be successful in the long term, since customers are not able to support the business if they are not aware of the business. Despite the importance of marketing to SMEs, marketing is often an
overwhelming concept for most SMEs, as many struggle to employ it effectively (Cant & Wiid 2013:707).

In order for SMEs to survive it is important that they understand key marketing principles such as identifying the market that will be served and implementing applicable marketing strategies (Bosch et al. 2011:382; Cant & Wiid 2013:707; Van Scheers 2010:230). However, according to Terzidis and Samantha (2011:68) this rarely occurs in SMEs, owing to their resource constraints. These resource constraints result in SMEs not performing adequate market research regarding the size of the market before the venture is started, resulting in low product demand. Consequently, SMEs often operate in markets that are not sustainable (Nieman & Nieuwenhuizen 2009:36; Stokes & Wilson 2006:356). Additionally, SMEs are faced with a narrow customer base, limited market power, insufficient marketing activity and marketing knowledge, and SMEs often have a selling focus rather than a marketing-focused approach (Cant & Wiid 2013:707; McCartan-Quinn & Carson 2003:206; Van Scheers 2011:5049).

Family SMEs are also associated with distinctive marketing challenges, given the addition aspect inherent in this unique form of business, namely family (Hnatek 2015:344; Pérez-Cabañero et al. 2012:118). The marketing function in family SMEs is more complex than in non-family SMEs because in family SMEs the family has a significant amount of influence over the strategic and marketing direction of the business. In addition, the fact that both shareholders (family and management) play an intricate role in crafting and implementing the marketing strategy, contributes to the complexity of the marketing function in family SMEs (Flören et al. 2015:62; Pérez-Cabañero et al. 2012:119; Poza 2010:167; Salvato & Corbetta 2014:295).

Researchers (Poza 2010:167; Sabri 2008:33; Terzidis & Samanta 2011:67–68) indicate that disputes among family members regarding marketing policies are common in family SMEs, especially in multiple-generational family SMEs, where founders believe marketing is a waste of resources, while the more educated second-generation acknowledges the importance of marketing. Suryani (2011:2) supports this view by stating that the complexity of marketing in family SMEs arises as a result of the differences associated with the different generations, since the older generation often believes that high-quality products and services will sell themselves.
while the younger generation is more supportive of a customer-centric orientation (Suryani 2011:2).

However, despite the challenges associated with marketing among both family, and non-family SMEs, family SMEs have unique attributes that differentiate them from non-family SMEs, resulting in them adopting additional marketing activities that are not applicable to non-family SMEs (Salvato & Corbeta 2014:295; Terzidis & Samanta 2011:67).

### 3.4.3 Marketing in small and medium-sized family businesses

The term “familiness” is often used to describe the resources that arise as a result of the interaction between family members, the business and the community, and the possibility that it can be translated into a competitive advantage (Carrigan & Buckley 2008:657; Chirico et al. 2011:487; Pijanowski & Hack 2013:41). Pérez-Cabañero et al. (2012:124) believe that the unique familiness found in family SMEs together with their long-term orientation, make family SMEs particularly proficient in establishing and building open relationships with their target market. This, together with family SMEs being characterised by their informal and family atmosphere, enables family SMEs to deliver a more personalised service to customers (Sak & Taymaz 2004:1; Pérez-Cabañero et al. 2012:118; Stokes & Wilson 2006:4).

Carrigan and Buckley (2008:657) and Pérez-Cabañero et al. (2012:119) are of the opinion that the long-term orientation in family SMEs also facilitates face-to-face interactions with customers, thereby strengthening the relationship between the family SME and their customers. The long-term orientation facilitates family SMEs in gaining a competitive edge over new market entrants, since family SMEs have specific market knowledge that has been acquired through a lifetime of exposure to a specific target market or industry (Pérez-Cabañero et al. 2012:121; Salvato & Corbeta 2013:299; Tokarczyk, Hansen, Green & Down 2007:25; Zachary et al. 2011:236). Pérez-Cabañero et al. (2012:123) and Salvato and Corbeta (2014:299) indicate that family SMEs are often product-centric orientated, supplying high-quality products and services for a niche market, with the aim of gaining customer loyalty by means of a product differentiation value proposition. Furthermore, Flören et al. (2015:20) believe that family SMEs are more likely to upgrade the differentiating features of their existing products than to develop
new products, since the original products may have an emotional meaning to the family SME, in the form of the history associated with the product.

However, as discussed in section 3.2.2.2, the product market orientation is no longer a basis for a sustainable competitive advantage, since product attributes can easily be imitated by rivals, and customers are presented with more choices than ever before, resulting in family SMEs searching for innovative ways to retain customers (Beck et al. 2011:256; Chang et al. 2015:120). The more educated second generation acknowledges this change, resulting in more family SMEs opting for a customer service differentiation strategy (also known as a customer-centric orientation) (Binz, Hair, Torsten, Pieper & Baldauf 2013:4; Ntanos & Ntanos 2014:154; Terzidis & Samanta 2011:68; Tokarczyk et al. 2007:20), as discussed in 3.2.2.2.

According to Pérez-Cabañero et al. (2012:119), the long-term orientation rooted within family SMEs is more supportive of a customer-centric orientation than a product market orientation, since family SMEs are known to develop close and interpersonal relationships with customers. Based on the open relationship between family SMEs and customers, Carrigan and Buckley (2008:660) and Pérez-Cabañero et al. (2012:119) indicate that customers have higher expectations of the products and services supplied by family SMEs, in comparison to non-family SMEs, since family SMEs are often perceived to be more trustworthy and are renowned for providing superior customer services. In turn, customers are willing to pay premium prices for the market offering of family SMEs (Pérez-Cabañero et al. 2012:125).

From the aforementioned discussion it can be concluded that family SMEs have unique attributes that result in distinctive marketing, and more specifically branding practices. In support, Sundaramurthy and Kreiner (2008:426) highlight that family SMEs can leverage their family business status by developing a family business brand. The following section will focus on the branding practices of family SMEs.

3.4.4 The nature of branding in family SMEs

It is well known that family businesses are characterised by the overlapping subsystems of family and business (Blombäck & Brunninge 2013:330). As mentioned in section 3.4.2, the interaction between family, business and individual family members results in a unique bundle
of characteristics and resources, referred to as familiness, which distinguishes family businesses from non-family businesses (Mikelotta & Raynard 2011:200). Various researchers (Memili et al. 2010:201; Mikelotta & Raynard 2011:200; Zellweger et al. 2012:239) are of the opinion that the familiness associated with family businesses results in them being able to leverage family involvement to develop a unique family-based business brand.

Despite Horan (2010:161) indicating that branding practices are almost non-existent in SMEs whether family-owned or not, a study by Berthon, Ewing and Napoli (2008:39) revealed that SMEs which focus on brand management practices perform better than those who neglect branding. This is particularly true for family SMEs, more of whom are turning to family business branding to create differentiation in the marketplace, and as a result achieve a competitive advantage over non-family SMEs (Craig et al. 2008:352; Erdem & Erdem 2011:177; Gallucci et al. 2015:158; Pérez-Cabañero et al. 2012:120). In the following sections, a family business brand will be defined, followed by an exploration of the various strategies that can be used in developing a family business brand. This section will be concluded by highlighting the importance of family business branding.

### 3.4.4.1 Defining a family business brand

Gallucci et al. (2015:157) define a family business brand as “the set of associations related to a family”. Mikelotta and Raynard (2011:199), as well as Rao, Agarwal and Dahlhoff (2004:127), reveal that a family business brand is similar to a corporate brand. In this regard, Astrachan and Astrachan (2015:10) view a family business brand as a corporate brand that is owned by a family business. In addition, it includes the various marketing and communication-related activities used to convey the family business status to both internal and external stakeholders (Astrachan & Astrachan 2015:10).

Mikelotta and Raynard (2011:199), as well as Rao et al. (2004:127), are of the opinion that a family business brand goes beyond marketing products and services with the business’s name and logo. Astrachan and Astrachan (2015:7) highlight that only referring to the business as “family-owned” is not considered a family business brand; instead a family business brand is required to indicate how the family intends to add value for stakeholders. By intentionally including the owning family’s background and including the identity of the family in the
business brand, the family personifies the business, which sets the foundation for a family-based brand identity (Chirico et al. 2011:486; Memili et al. 2010:239; Micelotta & Raynard 2011:200; Zellweger et al. 2012:241).

The family business brand is based on the identity of the family, therefore the family business brand is a reflection of the values and beliefs of the family (Craig et al. 2008:355; Presas et al. 2010:276). Family members that work together in the family business share a sense of identity, such as having the same family name, values and having a similar background, that is unique to that specific family (Boers 2013:64; Zellweger et al. 2012:240). In addition, Berrone, Cruz and Gomez-Mejia (2012:262) state that the socio-emotional wealth found in family businesses is closely related to the inseparable identity between family and business in family businesses.

Thus, the socio-emotional wealth together with the shared identities inherited in family businesses make them particularly proficient at developing a unique family business identity that emphasises the business’s family ties (Boers 2013:64; Sundaramurthy & Kreiner 2008:418; Zellweger et al. 2012:240). Gallucci et al. (2015:157) together with Micelotta and Raynard (2011:200) propose that there are various family business branding strategies that family businesses can implement, some of which are discussed in the following section.

### 3.4.4.2 Family business branding strategies

Family businesses are in the fortunate position to leverage not only their shared identities, but also their familiness to develop a unique family business brand (Craig et al. 2008:354–355; Sundaramurthy & Kreiner 2008:419). According to Astrachan and Astrachan (2015:10), Micelotta and Raynard (2011:200), as well as Hatch and Schultz (2001:1047), there are various strategies family businesses can follow to develop and communicate a family business brand. In the following section, these various strategies will be described.

(a) Hatch and Schultz dimensions of corporate branding

The corporate branding model developed by Hatch and Schultz (2001) is used by Presas et al. (2010:277) to explain family business branding. As depicted in Figure 3.2, Hatch and Schultz (2001:1047) are of the opinion that the success of corporate branding hinges on the alignment
of the strategic vision, organisational culture, as well as the corporate image of a business. Thus, the aforementioned dimensions serve as the foundation for family business branding. A short description of the model is presented below.

**Figure 3.2: Three main foundations of successful corporate branding**

![Diagram](https://via.placeholder.com/150)

Source: Hatch & Schultz 2001:1047

In Figure 3.2 it can be seen that the first dimension of the corporate branding process that needs to be addressed is the strategic vision. According to Presas *et al.* (2010:277) the strategic vision of a business highlights what the business wishes to achieve in the long term. In other words, the vision expresses the purpose of the business. In family businesses, the strategic vision will reflect the vision the family has for the business (Botero *et al.* 2013:13). Hatch and Schultz (2001:1047) suggest that corporate branding requires that the strategic vision and culture of the business be aligned, since the business’s vision for the future has a direct relationship with the values manifested in the organisational culture. The organisational culture of a business signals the values and beliefs of the business and act as a differentiating factor, by stating who the corporation is and what is stands for (Hatch & Schultz 2001:1051; Presas *et al.* 2010:277).

For family businesses, the organisational culture is particularly important, since the values fostered in the organisational culture are based on the values of the founding family, which are often maintained throughout the life of the family business (Presas *et al.* 2010:277). Blombäck and Brunninge (2013:333) highlight that the long-term orientation and organisational culture in
family businesses are closely related, since family businesses often foster a risk-averse and informal organisational culture that will ensure the survival of the business over multiple generations (Jiang et al. 2015:262; Kammerlander & Ganter 2015:361–362; LeCouvie & Rhodes 2016:1). LeCouvie and Rhodes (2016:1) add that family businesses are known for their unique organisational culture, often being described as caring, committed and having a family atmosphere. As suggested in Figure 3.2, in family businesses, all employees and family members are responsible for transmitting the values to stakeholders, with the aim of creating a coherent and positive corporate image of the family business (Presas et al. 2010:277).

Figure 3.2 shows that the corporate image directly relates to the strategic vision of the business. According to Krappe et al. (2011:38), and Presas et al. (2010:277), the corporate image refers to how external stakeholders perceive the business, implying that it is the first thought stakeholders have when hearing the name, or seeing the symbol associated with the business (Krappe et al. 2011:38; Presas et al. 2010:277). In other words, it includes the different viewpoints stakeholders have about the business. In addition, Krappe et al. (2011:38) state that the corporate image can only be shaped by the business through their marketing and communication efforts, but it cannot be controlled. Thus, Hatch and Schultz (2001:1051) propose that the corporate image serves as a mirror whereby business leaders can identify any discrepancies between who the business actually is, and who stakeholders perceive them to be.

Memili et al. (2010:202) suggest that family businesses, especially those who carry the name of their founder, place great emphasis on managing the image of the business. The reason for this is that the identities of the family and the business are often inseparable, implying that the image of the business also relates to the image of the family (Kammerlander & Ganter 2015:364; Memili et al. 2010:202). It is therefore critical for family businesses to evaluate the consistency between the family-based identity and the family business image, because if the business has a poor image among its stakeholders, it will in turn reflect poorly on the family itself (Hatch & Schultz 2001:1051; Kammerlander & Ganter 2015:364; Memili et al. 2010:202).
Astrachan and Astrachan’s family business branding strategies

Astrachan and Astrachan (2015:10) highlight that family businesses can make use of three family-based branding strategies which revolve around different messages: building on the history and heritage of the family business; finding a balance between tradition and innovation; and demonstrating responsibility and promoting business values. These three strategies will be discussed in more detail below.

(i) Building on the history and heritage of the family business

From a branding perspective, family businesses which have survived over multiple generations can use the history and values of their predecessors to build a family identity. Family members in family businesses share a unique identity and history which other non-family businesses often lack. Building a brand based on the heritage of a family adds to the distinctiveness of a brand, since each family’s history is different (Astrachan & Astrachan 2015:11; Blombäck & Brunninge 2013:328). Furthermore, heritage branding enables family businesses to present the business in a positive light to customers, by explaining how the business has used its accumulated experience to grow and thrive, as well as highlighting how customers can benefit from the know-how built over the years (Astrachan & Astrachan 2015:11; Salvato & Corbetta 2013:299).

(ii) Finding a balance between tradition and innovation

While it is known that family businesses draw particular strength from their founder’s traditions, family businesses which are too tradition-bound can often be synonymous with being stuck in the past (Gulzar & Wang 2010:126; Krappe et al. 2011:42; Venter & Urban 2015:483). Thus, it is important that family businesses create and maintain a good balance between the past and the present, especially in the rapidly changing 21st century. Family businesses can use their family business brand to link the history of the business with the present and the future, whereby reference can be made to the lessons learned, and how the business intends to foster innovation to meet the future needs of customers (Astrachan & Astrachan 2015:16; Blombäck & Brunninge 2013:329).
(iii) Demonstrating responsibility and promoting business values

Family members of family businesses, especially those which carry the family name, are known for their long-term orientation and willingness to go to great lengths to protect the name of the family, and thus also the business (Binz et al. 2013:5; Blombäck & Brunninge 2013:333). Therefore, family businesses can base their family business brand message on the concepts of responsibility and continuity, as well as trustworthiness. The values of the family serve as a foundation for this message. In other words, the values of the family will be used to guide not only the family’s behaviour but also that of the business (Astrachan & Astrachan 2015:19; Botero et al. 2013:13). According to Astrachan and Astrachan (2015:19), this message is particularly important for family businesses which participate in sustainability practices as well as community upliftment programmes. The aforementioned, together with the fact that various studies (Alderson 2011:27; Andrews 2009; Ernst & Young 2012:1; Hall & Astrachan 2015:175; Hnatek 2015:343) have shown family businesses are more philanthropic than their non-family counterparts, indicates that family businesses place greater emphasis on acting responsibly and upholding their family-based values.

(c) Micelotta and Raynard’s family-based brand identity strategies

According to Micelotta and Raynard (2011:198), family businesses can use their family identity in their online branding strategies, with the intention of achieving a competitive advantage over non-family businesses. Micelotta and Raynard (2011:198) indicate that family businesses can adopt one, or a combination of three unique corporate brand identity strategies, namely: a Family preservation strategy, Family enrichment strategy, as well as Family subordination strategy. The three strategies are elaborated on in the following section.

(i) Family preservation strategy

The Family preservation strategy, similar to Astrachan and Astrachan’s “building on the history and heritage of the family business”, aims to preserve the past (Micelotta & Raynard 2011:203). As illustrated in Figure 3.3, the Family preservation strategy relies on a close connection between the family and the business. In other words, the corporate identity acts as a mirror reflecting the identity of the family (Gallucci et al. 2015:157; Kansikas & Nemilentsev 2010:33;
Zellweger et al. 2012:240). From a visual and textual standpoint, images of the family over multiple generations are presented, together with a textual description of the family, their history, as well as their traditions, with the intention of communicating that the past is linked with the present (Blombäck & Brunninge 2013:328; Kansikas & Nemilentsev 2010:33; Micelotta & Raynard 2011:203–204). By intentionally conveying the family background and history of the family, a sense of trust is evoked among stakeholders. The reason for this is that stakeholders often have positive mental associations with the term “family” such as close ties, trust, and commitment (Blombäck & Craig 2013:428; Carrigan & Buckley 2008:657; Micelotta & Raynard 2011:199; Zellweger et al. 2012:240).

Figure 3.3: The process of generating the aggregated theoretical dimensions for the Family preservation strategy

![Diagram showing the process of generating aggregated theoretical dimensions for the family preservation strategy](image)

Source: Adapted from Micelotta & Raynard 2011:203
From Figure 3.3 it can be seen that the family acts as a guarantor of care and continuity, implying that the current values of the business are reflective of the traditional values associated with the past (Micelotta & Raynard 2011:203–204). This connotative meaning is reinforced through visual and textual content that promotes a sense of unity, and emphasises the family’s commitment to the business (Botero et al. 2013:13; Micelotta & Raynard 2011:203–204). The aim of the preservation strategy is to transmit the sense of belonging associated with family; from the family, to its customers. Micelotta and Raynard (2011:203) state that the Family preservation strategy is most evident in family SMEs. A potential reason may be that family SMEs are often characterised by having limited resources (Pérez-Cabañero et al. 2012:119) and being a family business enables them to effectively differentiate themselves from non-family SMEs by promoting their family business identity (Craig et al. 2008:356).

(ii) Family enrichment strategy

Figure 3.4 depicts the process family businesses use in their marketing efforts when adopting the Family enrichment strategy.
Family businesses are known for being too tradition-bound, and as a result they are often stuck between tradition and adopting new practices to adapt to the changing environment (Gulzar & Wang 2010:126; Krappe et al. 2011:42). Thus, as illustrated in Figure 3.4, the Family enrichment strategy retains the emphasis of family in the marketing of their products and services; however, they are represented as being enriched as time progresses by incorporating new product features and attributes. Therefore, as the name implies, the products and services are enriched over time using the experience acquired over multiple generations (Micelotta & Raynard 2011:205; Salvato & Corbetta 2013:299). In other words, emphasis is placed on supplying new, innovative, high quality products that are produced using old traditions, and the
craftsmanship that has been acquired through multiple generations (Blombäck & Craig 2014:428; Gallucci et al. 2015:158; Micelotta & Raynard 2011:205). Thus, the Family enrichment strategy is similar to the “Finding an optimum balance between tradition and innovation” strategy of Astrachan and Astrachan.

(iii) Family subordination strategy

The third strategy proposed by Micelotta and Raynard (2011:208) is the Family subordination strategy, which is depicted in Figure 3.5.

Figure 3.5: The process of generating the aggregated theoretical dimensions for the Family subordination strategy

Source: Adapted from Micelotta & Raynard 2011:208
From Figure 3.5, it can be seen that family businesses who adopt the Family subordination strategy, minimise the use of their family business status. As was mentioned in section 2.3.5, many family businesses choose to downplay the involvement of family in the business and avoid branding the business as family-owned, owing to the various risks involved with this association (Astrachan & Astrachan 2015:6). A potential reason why family businesses may also want to downplay their familial relationships can be their secretive nature, whereby they are not willing to share information about the business – and more particularly, about the family – with the public (Venter & Farrington 2009:140). Therefore in the Family subordination strategy, the attributes of the business are highlighted and the familial component of the business is minimised (Gallucci et al. 2015:162). Thus, the identity of the business is separate from the identity of the family, whereby the visual and textual content focus is on the business’s vision for the future, its history, as well as its achievements (Micelotta & Raynard 2011:205).

However, despite the fact that many family businesses downplay their familial relationships (Astrachan & Astrachan 2015:6), various researchers (Craig et al. 2008:351; Gallucci et al. 2015:155; Zellweger et al. 2012:206) are of the opinion that there are numerous advantages to branding a business as family-owned, as is discussed in the final section of this chapter.

3.4.4.3 Importance of family business branding

According to Craig et al. (2008:356), a family business brand is considered one of the most important intangible assets owned by family businesses. The reason for this is that the family business brand is based on the unique familiness associated with a particular business family, implying that the family business identity cannot easily be imitated by rivals. Micelotta and Raynard (2011:199) indicate that family businesses which promote their heritage and values are able to induce an emotional response from customers, providing customers with a sense of familiarity, trust and affiliation, since the word “family” in a family business is well known for implying something positive. Thus, family businesses are able to influence customers’ purchasing decisions by encouraging customers to base their purchasing decisions on the values that they associate with family businesses (Blombäck & Craig 2014:428; Carrigan & Buckley 2008:657; Craig et al. 2008:351; Micelotta & Raynard 2011:200; Zellweger et al. 2012:240).
In family businesses, family members often view the business as an extension of themselves, since the business is a representation of their own identities. This, together with the fact that most family members hold themselves to high standards, means that family businesses are more likely to focus on supplying high-quality products and superior customer services, with the aim of protecting the reputation of the family business as well as the family name by acting socially responsible and avoiding controversies (Binz et al. 2013:5; Dyer 2006:789; Kashmiri & Mahajan 2014:85; Micelotta & Raynard 2011:200).

Gallucci et al. (2015:157) further indicate that a family business brand can add symbolic meaning to a family business’s products and services, over and above the physical attributes of products, and the fact that symbolic attributes can assist in attracting customers, can be used to increase sales (Gallucci et al. 2015:160). Various authors (Craig et al. 2008:354; Grensing & Pophal 2013:16; Gundala & Khawaja 2014:28; Hutt & Speh 2012:174; Jansson 2008:152; Zellweger et al. 2012:241) support this view by stating that family business branding plays an important role in the performance of family SMEs, since a business’s brand is known for its ability to build a positive and unique image with consumers, which fosters customer loyalty. It can be said that family business branding can ultimately increase the sales of a family business through repeat purchases.

Finally, Dyer (2006:789) is of the opinion that most founders of family businesses aspire to leave a legacy for the subsequent generations, and not only an employment opportunity. In this regard, the family business brand which is based on the values of the family, draws its strength from the widespread participation of the entire business, thereby providing family members and employees with a guideline when it comes to ethical decision-making (Binz et al. 2013:5; Botero et al. 2013:13; Presas et al. 2010:277; Sorenson 2011:11). Thus, family businesses as well as their employees are motivated to act socially responsible to protect the family name, legacy and image.

3.5 SUMMARY

The main focus of this chapter was on examining the nature and importance of marketing and branding, and more specifically marketing and branding in family SMEs. This chapter focused on the marketing and branding practices available to businesses, whereby the differences
between marketing and branding in general were discussed. Furthermore, the different approaches to branding were presented, with a particular focus on family business branding in family SMEs. As described in the literature above, family businesses, particularly family SMEs, are in a fortunate position to leverage family involvement in order to establish a family business brand. Family business branding is of particular importance to family SMEs, since they are able to strategically deploy their family identity to achieve a sustainable competitive advantage over non-family SMEs. In addition, family SMEs which promote their family business brand are able to evoke an emotional response from customers, whereby customers base their purchasing decisions on the attributes associated with family. Thus, family business branding can ultimately contribute to the financial performance of family SMEs.

In Chapter 4, the relationships to be tested in this study will be elaborated on. Two hypothesised models will be developed; the first will investigate the relationships between selected marketing and branding practices and *Perceived financial performance*, and the second will investigate the relationships between *Stakeholder perception* and *Promotion of family business* and between *Stakeholder perception* and *Family business image*. Evidence supporting these relationships will be provided.
CHAPTER 4

PROPOSED HYPOTHESES MODELS

4.1 INTRODUCTION

Based on the primary and secondary objectives of this study, and the theoretical background provided in Chapter 3, this chapter will present the two proposed hypothesised models, together with the hypotheses that will be subjected to empirical testing in this study. Relationships are hypothesised between selected marketing and branding practices (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) and Perceived financial performance of family SMEs (Model 1), as well as between Stakeholder perception and the use of “family” in selected marketing and branding practices of family SMEs (Promotion of family business and Family business image) (Model 2). In the paragraphs that follow, the independent and dependent variables which serve as the basis of the two models, and the resulting hypothesised relationships as well as evidence supporting these relationships, is presented and discussed. In addition, the relationships between selected demographic variables and the selected marketing and branding practices adopted by family SME owners will be examined, whereby the relationships will be substantiated with evidence.

4.2 PROPOSED HYPOTHESES MODEL 1

It is well supported in the literature (Blombäck & Botero 2013:678; Kotler & Armstrong 2010:18; Van Scheers 2012:5051) that the marketing and branding practices adopted by a business influence the financial performance of that business. Marketing practices commonly adopted by family SMEs include those that have a product (Pérez-Cabañero et al. 2012:123; Salvato & Corbetta 2014:299) or consumer orientation (Binz et al. 2013:4; Ntanos & Ntanos 2014:154; Terzidis & Samanta 2011:68), or strategies that differentiate themselves from other businesses based on these orientations. Furthermore, various authors (Craig et al. 2008:354; Grensing & Pophal 2013:16; Gundala & Khawaja 2014:28; Hutt & Speh 2012:174; Jansson 2008:152; Zellweger et al. 2012:241) contend that family business branding plays an important role in the performance of family SMEs. Against this background the first hypothesised model is proposed. From Figure 4.1 it can be seen that Customer service differentiation, Product
differentiation, Promotion of family business and Family business image serve as the independent variables, and Perceived financial performance serves as the dependent variable.

**Figure 4.1: Proposed hypothesised Model 1: The relationship between selected marketing and branding practices among family SMEs and Perceived financial performance**

Source: Researcher’s own construction

Evidence supporting the relationships depicted in Figure 4.1 between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) and the dependent variable, namely Perceived financial performance, has been found in literature, and is described in the following paragraphs.

4.2.1 Dependent variable: Perceived financial performance

According to Herath and Mahmood (2013:431), business performance originally referred to the achievements of the business, as well as the ratio of value created by the business over the value expected by the owners. Chen, Tsou and Huang (2009:41–42), as well as Herath and Mahmood (2013:431) explain that business performance focuses on achieving the objectives of the
business, which are often both financial and non-financial in nature (Dirisu et al. 2013:262). The measurement of business performance is, however, not an easy task, since it is not a single-dimensional construct, but is multi-dimensional in nature (Gerba & Viswanadham 2016:531). Business performance includes both financial and non-financial measures, with the latter focusing on achieving operational objectives, including but not limited to increasing customer satisfaction and loyalty (Dirisu et al. 2013:262; Khademifar & Amiri 2013:115; Whittington 2015:297). The financial performance of a business is most commonly assessed using economic factors that are quantitative in nature, such as profitability and growth (Chong 2008:4; Gerba & Viswanadham 2016:531–532; Lowell 2007). Despite researchers (Lumpkin & Dess 1996; Wiklund & Shepherd 2005:80) highlighting the advantages of using both financial and non-financial measures of performance, various researchers (Maas, Van der Merwe & Venter 2005:6; Sharma 2004:6; Talib & Shafie 2016:65) have consistently used only financial performance as a means to measure success in family businesses.

Chong (2008:2) highlights the importance of profitability as a measure of financial performance by stating that profitability reflects the business’s ability to achieve its long-term goals. In other words, in the short-term, a business needs to be profitable in order to grow. Memili et al. (2010:204), together with Wiklund and Shephard (2005:80), assert that growth is a critical measurement of performance in smaller family businesses, since it is likely to be reported more accurately than other measures such as profitability. According to Davidsson, Achtenhagen and Naldi (2005:3), researchers should use different measures of growth, including growth of sales, profits, and number of employees when measuring financial performance (Chong 2008:4; Gerba & Viswanadham 2016:531–532; Lowell 2007). The importance of assessing growth using different forms stem from the fact that the different forms of growth occur over different periods of time, thus providing researchers with a more complete overview of the actual performance of the business (Davidsson et al. 2005:3; Gerba & Viswanadham 2016:532).

Empirical studies often use perceived measures of performance when conducting research relating to business performance. This is because the answers provided by respondents (family SME owners in this study) are based on their own subjective view of growth and profitability, and not on objective information gathered by reviewing performance records (Soininen, Martikainen, Pumaonen & Kylaheiko 2012:616; Talib & Shafie 2016:65; Triantafylli & Ballas 2010:405).
Based on the aforementioned discussion, *Perceived financial performance* will be based on the perception of the owner, and will measure aspects of profitability, growth (in terms of sales, employees and profit) as well as financial performance. For the purpose of this study, *Perceived financial performance* refers to the family business being profitable, financially successful and secure, as well as experiencing growth in profits, turnover, and number of employees over the last two years (Farrington 2009:340–343; Matchaba-Hove 2013:46). *Perceived financial performance* serves as the dependent variable in the first hypothesised model. The hypothesised relationships between the independent variables and *Perceived financial performance* as depicted in Figure 4.1 are discussed in the following paragraphs.

### 4.2.2 Customer service differentiation and Perceived financial performance

Customer service differentiation, as implied by the name, simply refers to the business providing customers with a service that is different to the service provided by that of competitors (Chandrasekar 2010:81). Various researchers (Dess & Davis 1980:476; McKain 2009:54; Roa 2011:237; Ross 2015:101; Sweeney 2013:226) broadly define customer service differentiation as going beyond treating customers better than competitors. Instead, emphasis is placed on providing a unique customer experience by incorporating value-added differentiating factors (such as after-sales support, quick response time, innovative marketing techniques) that are meaningful to customers in the service offering of the business. For the purpose of this study, *Customer service differentiation* competitive orientation refers to the family business distinguishing itself from other businesses through innovation in marketing techniques, higher quality standards than competitors, by keeping a tight control of expenses, and by means of quick delivery and responding immediately to customer orders.

Anecdotal evidence (Lovelock, Patterson & Witz 2015:214; Nasir 2015:96; Verhoef & Lemon 2015:81; Zimmerman & Blythe 2013:214) suggests that there is a positive relationship between customer service differentiation and business performance. The reason for this is that customer service differentiation plays a critical role in today’s hypercompetitive marketplace (where customers are presented with more market offerings than ever before, resulting in low customer loyalty), since it is known to foster customer satisfaction and thus loyalty among customers, which in turn is critical to business performance. In this regard, businesses experience growth in revenues as a result of repeat purchases made by loyal customers (Eggert, Thiesbrummel &
Similarly, several authors (Botero & Blombäck 2010:8; Carrigan & Buckley 2008:656; Pérez-Cabañero et al. 2012:119; Terzidis & Samanta 2011:68) contend that family businesses pride themselves on the differentiated experience they offer customers, and their focus on customers enables them to develop interpersonal relationships with these customers. The customer orientation culture in family businesses in turn enables them to gather market intelligence directly from customers, resulting in these businesses having a better understanding of customer needs (Intiha & Pollack 2012:78; Tokarczyk et al. 2007:27–28; Zackary et al. 2011:233–234). More importantly, these businesses are then able to disseminate the market intelligence with the intention of enhancing their understanding of customer needs, which enables them to adjust their market offerings to the preferences of customers and playing a critical role in the financial performance of the family business (Bodlaj & Rojsek 2010:91–92; Orth & Green 2009:248–249; Tokarczyk et al. 2007:27; Zackary et al. 2011:233–234).

In addition to the aforementioned anecdotal evidence, numerous empirical studies have confirmed that a positive relationship exists between customer service differentiation and business performance in general (Chen et al. 2009:36; Eggert et al. 2014:383; Spencer, Joiner & Salmon 2009:95), and family SME performance in particular (Craig et al. 2008:361; Okoroafo & Koh 2009:3). Okoroafo and Koh (2009:3) examined the impact of marketing activities of family businesses on customer’s purchase intentions in the United States. They found that the customer service provided by family businesses positively influences customer’s purchase intentions (Okoroafo & Koh 2009:3). Craig et al. (2008:361) investigated whether a family-based brand identity can be used as a tool to facilitate business performance by means of competitive orientations in family SMEs (customer service differentiation and product differentiation). The empirical results of the study revealed that in smaller family businesses, customer service differentiation mediates the relationship between promoting the family business status and business performance (Craig et al. 2008:361).

Based on the discussion above, the following hypothesis has been formulated and will be subjected to empirical testing in this study:
H\textsuperscript{1a}: There is a positive relationship between the use of a Customer service differentiation competitive orientation and the Perceived financial performance of family SMEs.

4.2.3 Product differentiation and Perceived financial performance

Product differentiation refers to the process of incorporating unique high quality features or attributes into products that enable the products to stand out in comparison to other similar products. In addition, product differentiation includes elements that customers perceive to be unique, resulting in customers not considering alternative products (Mustafa, Rehman, Zaidi & Iqbal 2015:113–114; Rosenblom 2013:305; Vallabhaneni 2015:159; Williams 2016). For the purpose of this study, a Product differentiation competitive orientation refers to the family business distinguishing itself from other businesses by developing and/or selling new and speciality products and/or services, investing in research and development facilities, upgrading existing products’ appearance and performance, and emphasising product and/or service for high price market segments.

A growing body of evidence exists supporting a positive relationship between adopting a product differentiation competitive orientation and the financial performance of a business in general (Dirisu et al. 2013:272; Eggert et al. 2014:38; Mustafa et al. 2015:113), and the financial performance of family SMEs in particular (Pérez-Cabañero et al. 2012:123–124). Various researchers (Daft & Samson 2015:270; Ferrell & Hartline 2011:211; Hitt, Ireland & Hoskisson 2013:117) assert that the value of product differentiation is rooted in its ability to draw on customer loyalty. Ferrell and Hartline (2011:245), as well as Pérez-Cabañero et al. (2012:123–124) explain that the underlying goal of product differentiation is to ensure a more inelastic demand curve, which implies that the ultimate economic goal of product differentiation is to ensure customers are less sensitive to price changes. It is recognised in literature that loyal customers are willing to pay a premium price for a product that is perceived as non-substitutable as a result of its unique features or attributes. Thus as a result, the premium price charged by businesses translates into higher profit margins and also higher sales revenue (Eggert et al. 2014:394; Hill & Jones 2010:161; Kasemsap & Rajabhat 2015:278).

Several empirical studies provide evidence of a positive relationship between product differentiation and business performance, in both large businesses (Dirisu et al. 2013:272;
Nolega, Oloko, William & Oteki 2015:104–109; Shafiwu & Mohammed 2013:64) and SMEs (Craig et al. 2008:361; Johnson, Dibrell & Hansen 2009:99; Pérez-Cabañero et al. 2012:127). For example, Shafiwu and Mohammed (2013:64) found that product differentiation in petroleum companies in Ghana has a positive influence on the profitability of the company. Similarly, a study by Nolega et al. (2015:104–109) revealed that product differentiation based on innovation, research and development, as well as high quality (in the agricultural sector) directly influences a business’s market power, and therefore their sales revenue.

In their study, Johnson et al. (2009:99) found that product differentiation in family and non-family SMEs positively influences business performance. Similarly, Craig et al. (2008:361–364) found a positive relationship between product differentiation in family SMEs operating in the United States, and growth in market share and sales, and in financial performance. Pérez-Cabañero et al. (2012:127) investigated the impact that various marketing capabilities have on the financial and non-financial performance of family SMEs operating in the manufacturing industry in Spain. In contrast to other studies they found that product differentiation did not directly influence the financial performance of family SMEs, but instead product differentiation directly influences the non-financial performance of these businesses (Pérez-Cabañero et al. 2012:133). The study found that product differentiation directly contributes to stakeholder satisfaction, which in turn positively influences financial performance.

Based on the above-mentioned theoretical evidence, the following hypothesis has been formulated:

H^{1b}: There is a positive relationship between the use of a Product differentiation competitive orientation and the Perceived financial performance of family SMEs.

4.2.4 Promotion of family business and Perceived financial performance

As previously mentioned, family businesses can leverage their family business status in their marketing and branding strategies to differentiate their family business in a crowded marketplace by promoting the business as family-owned to various stakeholders (Botero 2010:2; Sundaramurthy & Kreiner 2008:426). For the purpose of this study, Promotion of
family business refers to the family business being promoted as a family business to suppliers, customers, potential employees and financiers.

Several authors (Blombäck 2011:11; Botero et al. 2013:15; Craig et al. 2008:351; Gallucci et al. 2015:158; Zellweger et al. 2012:240) contend that family businesses who promote their family business status to stakeholders are not only able to develop a sustainable competitive advantage over non-family businesses, but that promoting the family business status also positively influences business performance. Family businesses are not only able to promote their family business status, but are also able to promote their heritage and family values (Zellweger, Eddleston & Kellermanns 2010:58). Promoting the business as family-owned to employees can result in employees having a sense of belonging and subsequently viewing the family business as an extension of themselves. Consequently, employees are more willing to participate in the activities of the family business, which can ultimately lead to enhanced family business performance (Botero et al. 2013:13; Micelotta & Raynard 2011:200; Zellweger et al. 2010:58).

Several studies (Beck & Kenning 2015:1134; Kashmiri & Mahajan 2014:94; Micelotta & Raynard 2011:200; Zellweger et al. 2012:245) provide empirical support for a positive relationship between promoting the business as a family business and business performance. For example, Kashmiri and Mahajan (2014:81) investigated whether there was any relationship between family businesses (in the United States) that were named after their founding families and business performance. They found that family businesses who highlight their family business status and use the name of their founding members, perform better than family businesses who do not (Kashmiri & Mahajan 2014:81). However, Craig et al. (2008:361) found that in smaller family businesses, promoting the family business to stakeholders does not directly influence business performance. Instead they found that customer service differentiation (customer-centricity) partially mediates the influence of promotion of family business on business performance (Craig et al. 2008:360).

Given the empirical evidence presented above, the following hypothesis has been formulated and will be subjected to empirical testing:
H^lc: There is a positive relationship between Promotion of family business and the Perceived financial performance of family SMEs.

4.2.5 Family business image and Perceived financial performance

It is well known that family businesses are particularly proficient in developing a unique corporate image due to the interaction of the identity of the family and that of the business (Boers 2013:64; Sundaramurthy & Kreiner 2008:418; Zellweger et al. 2012:240). According to Blombäck and Ramirez-Pasillas (2012:80) and Memili et al. (2010:201), a family business image is created by presenting the business as a family business to stakeholders and by advertising and communicating a desired family business brand and image to the public. For the purpose of this study, Family business image refers to the family business basing their marketing strategy on the fact that they are a family business, and in doing so, including their family business status in advertising material and using their recognised family name as a brand when doing business.

Several authors (Binz et al. 2013:3; Kashmiri & Mahajan 2014:92; Sundaramurthy & Kreiner 2008:425; Zellweger et al. 2010:58) contend that a relationship exists between organisational image and business performance. It is also suggested that the image of a family business also influences the level of family business performance (Memili et al. 2010:205). For example, Blombäck and Craig (2014:428) highlight that the term “family” in a family business is known to create positive associations in the minds of stakeholders, since the term often induces positive feelings. Furthermore family businesses that promote their heritage and values are able to induce an emotional response from customers, providing customers with a sense of familiarity, trust and affiliation, which in turn strengthens the business’s attempt to encourage customers to base their purchasing decisions on the values that they associate with the family business (Blombäck & Craig 2014:428; Botero et al. 2013:8; Carrigan & Buckley 2008:657; Micelotta & Raynard 2011:199–200; Zellweger et al. 2012:240).

sense of trustworthiness of a product, and the influence on customers’ purchase intentions. Their study revealed that the more the retailer is perceived by customers as a family retailer, the higher is customers’ perceived sense of trustworthiness of the retailer. Second, their study showed that the family business image of the retailer has a significant influence on the customer’s purchase intentions, and thus also on business performance (Beck & Kenning 2015:1134). Similarly, Okoroafo and Koh (2009:7) investigated the purchase intentions of customers among family businesses. Their study demonstrated a positive relationship between the purchase intentions of customers and the recognition of family ownership and concluded that family businesses should communicate their family business status as well as their familiness in their marketing activities (Okoroafo & Koh 2009:7).

Against this background, the following hypothesis has been formulated:

H\(^{1d}\): There is a positive relationship between Family business image and the Perceived financial performance of family SMEs.

### 4.3 PROPOSED HYPOTHESESED MODEL 2

Several studies (Beck & Kenning 2015:1134; Botero et al. 2013:13; Carrigan & Buckley 2008:657; Okoroafo & Koh 2009:7) have investigated how family businesses are perceived by different stakeholders. However, few have investigated the influence of stakeholder perception on the use of “family” in selected marketing and branding practices. Anecdotal and empirical evidence suggest that a family business promoting its family status is important to stakeholders, but whether this importance is considered by family business owners when implementing their marketing and branding practices is unknown. Against this background the second hypothesised model is presented. As illustrated in Figure 4.2, Stakeholder perception serves as the independent variable, while Promotion of family business and Family business image serve as the dependent variables. It is important to note that two separate relationships will be tested.
4.3.1 Stakeholder perception and family business promotion and image

From Chapter 3 it was evident that family businesses can leverage their family business status by marketing and branding the business as family-owned to stakeholders. According to Berndt and Tait (2012:140), stakeholders are a group of individuals who can be influenced by the business, as well as its actions, and in turn can also influence the business and its actions. In addition, stakeholders are commonly categorised as internal (employees) and external, with the latter including customers, suppliers and financiers (Carroll & Buchholtz 2015:3; Chiu 2009:33). For the purpose of this study, Stakeholder perception refers to the family business owner perceiving that their customers, employees, suppliers and financiers think it is important that they are a family business.

A growing body of literature (Gallucci et al. 2015:155; Memili et al. 2010:201; Micelotta & Raynard 2011:200; Zellweger et al. 2010:54; Zellweger et al. 2012:239) suggests that family businesses can utilise their family business status, and unique familiness to establish a family business brand, and in doing so, project a family business image to stakeholders. However, from a practical perspective, it is imperative for family businesses to first investigate how
important it is for stakeholders that the business is family-owned before embarking on such practices (Astrachan & Astrachan 2015:5; Bernard 2014; Zellweger et al. 2012:245), since various researchers (Astrachan & Astrachan 2015:5; Bernard 2014; Micelotta & Raynard 2011:199; Parmnetier 2011:217) indicate that family businesses hold different meanings for stakeholders both internally and externally.

For instance, the study of Covin (1994) investigated whether undergraduate and graduate students in the United States preferred to work for family or non-family businesses. The study found that students do prefer working for family businesses over non-family businesses. Other authors (Bernard 2014; Carrigan and Buckley 2008:660; Micelotta & Raynard 2011:197; Zellweger et al. 2012:246) suggest that stakeholders, more specifically customers, perceive family businesses to be more trustworthy, socially responsible, and customer orientated than non-family businesses. However, an empirical study by Carrigan and Buckley (2008:660) found that customers also associate family businesses with smallness.

Gallucci et al. (2015:160), and Zellweger et al. (2012:245) found that promoting the family business status can be more important for certain family businesses than for others. In some instances such as family businesses operating in traditional industries, promoting the family business status can lead to perceptions of quality and expertise (Blombäck & Craig 2014:430; Gallucci et al. 2015:155), while in other industries (such as technology sector and industrial goods) promoting the business as family-owned may create a perception of a lack of professionalism (Astrachan & Astrachan 2015:5; Astrachan & Astrachan 2016; Block, Fisch, Lau, Obschonka & Presse 2015:3; Micelotta & Raynard 2011:211; Zellweger et al. 2012:245).

Despite several studies (Carrigan & Buckley 2008:664; Flören et al. 2015:105; Zellweger et al. 2012:246) indicating that stakeholders attach significant value to family businesses as a result of their family business status and positive family business image, the majority of family businesses choose not to reveal their family business status and family background to stakeholders in their marketing and branding activities (Flören et al. 2015:104). As was mentioned in Chapter 3, many family businesses choose to downplay the family aspect of the business, since it can induce negative associations within the minds of consumers and lead to increased public visibility and scrutiny of the family (Astrachan & Astrachan 2015:6).
Astrachan and Astrachan (2016) and Isherwood (2016) propose that family businesses first research what the term “family business” signifies in their respective industry and to their stakeholders, before marketing and branding the business as family-owned. In their study, Astrachan and Astrachan (2015:5) found that of the 125 family businesses investigated, 79 per cent promoted the business as family-owned to employees, 67 per cent promoted it to customers and only 46 per cent promoted the business as family-owned to suppliers. Similarly, Mahlatji (2007:169) investigated the basics of corporate brand management in top South African companies, where respondents were asked to indicate how important stakeholders (customers, suppliers, employees) are to their corporate brand. In the study, the majority of respondents indicated that customers, employees and suppliers are critical to their corporate brand (Mahlatji 2007:169). However, despite the importance of stakeholder perceptions, only a small percentage of family businesses investigated whether their stakeholders actually think it is important that they are a family business (Astrachan & Astrachan 2015:5). In other words, most family businesses promote their family business status without obtaining input from stakeholders.

Flören et al. (2015:105) also investigated whether directors in family businesses perceived that their customers, suppliers, employees and financiers thought it is important that they are a family business. They reported that the majority of directors perceived that their customers, employees, suppliers and financiers regard it as important that their business is family-owned. Flören et al. (2015:104) reported that based on their findings many respondents indicated that because stakeholders (customers, employees, suppliers and financiers) consider it important that they are a family business, they would in future investigate the use of family in their marketing and branding practices.

As mentioned above, in this study *Promotion of family business* refers to the family business being promoted as a family business to suppliers, customers, potential employees and financiers, whereas *Family business image* refers to the family business basing their marketing strategy on the fact that they are a family business, and in doing so, including their family business status in advertising material and using their recognised family name as a brand when doing business. The extent to which employees, suppliers and financiers think it is important that they are a family business (*Stakeholder perception*) and whether this importance influences the marketing and branding practices (*Promotion of family business* and *Family business* image)
image) implemented by the family business is investigated in this study by means of empirically testing the following hypotheses:

Based on the aforementioned theoretical background, the following hypotheses has been formulated:

H²a. There is a positive relationship between Stakeholder perception and Promotion of family business.

H²b. There is a positive relationship between Stakeholder perception and Family business image.

4.4 THE INFLUENCE OF SELECTED DEMOGRAPHIC VARIABLES ON SELECTED MARKETING AND BRANDING PRACTICES ADOPTED BY SMALL AND MEDIUM-SIZED FAMILY BUSINESSES

Given the primary and secondary objectives of this study, the relationships between selected demographic variables and the marketing and branding practices investigated in this study were also subjected to empirical testing.

According to Kashmiri and Mahajan (2014:88), the Age of the owner has a significant influence on the marketing and branding practices adopted by family businesses. Older individuals are in a more fortunate position than younger individuals to promote their family name because they have had longer to establish a credible and trustworthy reputation in their community (Kashmiri & Mahajan 2014:88). However, Sundaramurthy and Kreiner (2008:422) contend that older individuals are often more likely to separate the identity of the family from that of the business, while younger family business owners are more likely to integrate the two identities, since it is more likely that younger family business owners do not have the required resources to fund the business by themselves, and thus require additional resources from other family members.

Despite a lack of evidence demonstrating the influence of Generation ownership on the marketing and branding practices of family businesses, Beck et al. (2011:257) contend that there is a difference between the management practices undertaken of first- and later-generation family business owners, with the former being considered more risk-averse. Later-generation
family business owners are required to adapt to new competitive conditions in which they are forced to seek new ways to reinvent themselves, one of which can be family business branding (Beck et al. 2011:265; Gallucci et al. 2015:156–157).

Several authors (Blombäck & Brunninge 2009:413; Botero et al. 2013:18; Zellweger et al. 2012:245) suggests that there is a positive relationship between the age of the family business and the business being promoted as family-owned. Older and/or multi-generational family businesses can promote their wealth of knowledge and expertise accumulated over generations to their stakeholders (Astrachan & Astrachan 2015:11; Blombäck & Brunninge 2009:413). The studies of Blombäck and Brunninge (2009:414), as well as that of Micelotta and Raynard (2012:210) and Smit, Binz and Schwass (2010) (cited in Astrachan 2014:139) reveal that older family businesses are more likely to base their marketing and branding practices on the heritage and values of the founding members.

Several studies (Astrachan & Astrachan 2015:37; Burghausen & Balmer 2015:30–31; Gallucci et al. 2015:158; Rubenstein 1990; Zellweger et al. 2012:245) suggest that the Nature of the industry in which a business operates is likely to influence their marketing and branding practices. More specifically, Rubenstein (1990) found that family businesses operating in the manufacturing industry were the least likely to be named after the family name, and according to Micelotta and Raynard (2012:211), family businesses operating in industries with high-technology intensity are less likely to promote their family’s background on their websites. A possible reason can be that the stakeholders of manufacturers do not find it important (Astrachan & Astrachan 2016), and that the family connotation can evoke associations of being stuck in tradition or resistant to change (Zellweger et al. 2012:242), while the industry in which they operate in is continuously evolving.

On the other hand, Gallucci et al. (2015:158) found that family businesses operating in more traditional industries such as wineries, can particularly benefit from promoting and branding the business as family-owned, since “family” evokes associations of quality and tradition in the minds of customers. In addition, family businesses operating in more traditional industries are more likely to adopt a family business brand that promotes the history and heritage of the family, and also makes references to the number of generations having owned the family business (Astrachan & Astrachan 2015:37; Gallucci et al. 2015:158).
Literature also suggests *Tertiary qualification of the owner* influences the marketing and branding practices adopted by the family businesses (Binz *et al.* 2013:6; Chang *et al.* 2015:125; Suryani 2011:2). According to Suryani (2011:2) and Terzidis and Samanta (2011:68), the second generation in family businesses is often more educated than are the founding members. In other words, the second generation is more likely to have a tertiary education than the founding members, resulting in them acknowledging the importance of marketing and branding, which is often overlooked by the less-educated first generation (Suryani 2011:2; Terzidis & Samanta 2011:68).

Several studies (Craig *et al.* 2008:352; Gallucci *et al.* 2015:160; Micelotta & Raynard 2012:210) have investigated the relationship between the *Number of employees* (size of the family business) and the marketing and branding practices adopted by the family business. According to Micelotta and Raynard (2012:210), smaller family businesses are more likely than larger family businesses to integrate the family identity into the corporate identity. Similarly, Craig *et al.* (2008:352) reports that smaller family businesses are more inclined to use their family name as a differentiating factor in the market.

Based on the aforementioned discussion, the following null hypotheses have been formulated and will be subjected to empirical testing in this study:

\[ H_{0}^{1a} : \text{There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and family SMEs using a Customer service differentiation competitive orientation.} \]

\[ H_{0}^{1b} : \text{There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and family SMEs using a Product differentiation competitive orientation.} \]

\[ H_{0}^{1c} : \text{There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Promotion of family business.} \]
H₀¹d: There is no relationship between the selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) investigated in this study and *Family business image*.

H₀¹e: There is no relationship between the selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) investigated in this study and *Stakeholder perception*.

### 4.5 SUMMARY

In this chapter the two hypothesised models were proposed. The first hypothesised relationships between selected marketing and branding practices adopted by family SMEs and their *Perceived financial performance*. In the first hypothesised model, *Perceived financial performance* was identified as the dependent variable, while *Customer service differentiation, Product differentiation, Promotion of family business* and *Family business image* served as the independent variables. In the second model, *Stakeholder perception* served as the independent variable, whereas, *Promotion of family business* and *Family business image* served as the dependent variables. In Chapter 4 empirical evidence supported the various hypothesised relationships was provided. In addition, the relationships between selected demographic variables and the marketing and branding practices investigated in this study were also discussed. The following chapter, namely Chapter 5, will present and discuss the research design and methodology undertaken to test these relationships so as to achieve the objectives of this study.
CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

In Chapter 1, the primary and secondary objectives of this study were presented. The main purpose of Chapter 5 is to elaborate on the research design and methodology adopted in order to address the aforementioned objectives. A discussion on defining research and research design will commence this chapter, followed by an overview of the positivistic and interpretivistic research paradigms (methodologies). Furthermore, reference will be made to the quantitative research approaches and methods, followed by a discussion on the secondary and primary data collection. Thereafter, the topics of population, sample frame, sampling techniques, and sample size will be addressed and the measuring instrument together with the operationalisation of the dependent and independent variables will be elaborated on. In addition, the administration of the measuring instrument will be discussed, and the ethical considerations that have been adhered to during the data collection process will be described. To conclude this chapter, an overview of the statistical techniques adopted to analyse the data collected during the empirical investigation is provided.

5.2 DEFINING RESEARCH

According to Rukwaru (2015:1), research is the art of scientific examination, searching for applicable information relating to a particular topic. Research is often seen as synonymous with the process of searching and obtaining knowledge relating to established facts, as well as the unknown (Levrai & Bolster 2015:42; Supino & Borer 2012:1). Supino and Borer (2012:1) describe research simply as the search for new knowledge, involving the movement from an area of familiarity to the unknown, by discovering new evidence in any branch of knowledge. In other words, research aims to discover facts or truths that have not yet been discovered. Research, according to Fraser (2013:1) is defined as “the formation of new knowledge, as well as approaching, and utilising existing knowledge in a new and creative manner to identify new notions and understandings”. Nirmala and Silvia (2011:4) add that research is a scientific process used to meticulously search for solutions to identified problems.
According to various researchers (Adams & Lawrence 2015:17–18; Collis & Hussey 2014:9; Quinlan, Babin, Carr, Griffen & Zikmund 2015:3) there are six steps involved in the research process, namely selecting a specific research topic, searching and reviewing the literature with the objective of defining the research questions, conceptualising the research design and writing the proposal. Thereafter, the steps include collecting, analysing and interpreting the collected research data, and writing the research report.

It is important to note that although research differs from information gathering, it shares three interrelated characteristics. First, research is based on an open system of thought, allowing researchers to think anything, as well as to continuously test, evaluate and critique the work of other researchers. Second, researchers examine data critically. In other words, research is an onerous and time-consuming process, since researchers go to great lengths to ensure valid and reliable findings. Finally, researchers generalise and specify limits on their generalisations (Birzer 2013:134; Phillips & Pugh 2010:56; Struwig & Stead 2013:2). In summary, research is concerned with discovering new knowledge using processes that are systematic in nature.

5.3 RESEARCH DESIGN

In order to undertake research, a research design is needed. Labaree (2013:2) is of the opinion that the research design is a comprehensive strategy chosen by the researcher to integrate the different components of a study in an articulate and rational manner and in so doing, ensures the research problem is successfully addressed. In addition, the research design provides the researcher with basic directions and guidelines for carrying out research (Hair, Celsi, Money, Samouel & Page 2011:151; Wilson 2010:307).

Research design refers to the systematic plans and procedures that indicate how, when and where data is to be gathered, as well as the methods to be followed when collecting and analysing data. Thus, the research design of a study represents the blueprint for gathering, measuring and analysing data (Bryman & Bell 2011:40; Cooper & Schindler 2014:82; Creswell 2014:3). In addition, the research design indicates the various ways in which research can be conducted with the aim of answering the research question. Furthermore, the research design is based on the nature of the identified research problem (Cooper & Schindler 2014:82; Creswell 2008:3; Marczyk, DeMatteo & Festinger 2005:22).
According to Goodyear (2014:110), and Marczyk et al. (2005:22), research methodology refers to the principles and procedures that will be used to solve the identified research questions. On the other hand, the research design indicates the plan that will be used to address the research (Goodyear 2014:110; Marczyk et al. 2005:22). Therefore the research design dictates the research methodology to be adopted. According to Collis and Hussey (2014:11) the first step in the research design process is determining the appropriate research paradigm to be used in the study. The most commonly used approaches, namely the positivistic and interpretivistic research paradigms, are discussed in the following section.

5.4 RESEARCH PARADIGMS AND METHODOLOGIES

According to several authors (Bryman & Bell 2011:40; Johnson & Christensen 2014:31; Weaver & Olson 2006:460), a research paradigm includes an extensive viewpoint of something. A paradigm reveals how research can be adjusted and directed since it includes patterns of beliefs, as well as practices that regulate the inquiry in a certain discipline by providing lenses, frames and procedures through which the investigation is accomplished. Johnson and Christensen (2014:31) state that a research paradigm is a perspective held by a researcher, whereby the perspective is shaped by a combination of shared inferences, beliefs, concepts and practices. A research paradigm provides an outline that guides researchers exactly how research ought to be conducted, founded on their philosophies and assumption about the world, and the nature of knowledge. In other words, a research paradigm is an approach to thinking about and doing research (Collis & Hussey 2014:43; Johnson & Christensen 2014:31).

Researchers adopt one of two opposing research paradigms, namely a positivistic paradigm which is often associated with a quantitative methodology, or an interpretivistic paradigm which shares its philosophical framework with the qualitative research methodology (Collis & Hussey 2014:44; Greener 2008:34; Nkwake 2015:25; Ritchie et al. 2013:5). Although each paradigm has its own methodology that includes assumptions about logic, knowledge, reality and values, the two paradigms share a common objective of uncovering novel knowledge which could assist individuals in making decisions (McGregor & Murnane 2010:420; Nkwake 2015:25; Ritchie et al. 2013:5). Research methodology is defined by Collis and Hussey (2014:55) as “an approach to the process of the research encompassing a body of methods”. In other words, the research methodology reflects the process of research. Moreover, the research
methodology focuses on the manner in which data is collected, as well as where it was collected from.

5.4.1 Positivistic research paradigm

Nkwake (2015:6), in addition to Struwig and Stead (2013:5) explain that a positivistic research paradigm is linked to the natural sciences and implicates empirical testing, implying that reality can be measured. The positivistic research paradigm is grounded on the assumption that social reality is singular and objective, and is not influenced by the act of examination (Collis & Hussey 2014:44; Quinlan et al. 2015:56). In addition, McGregor and Murnane (2010:423) state that within the positivistic research paradigm, it is assumed that the only way individuals can be positive the knowledge is true, is if it was generated using scientific methods. Hence, Collis and Hussey (2014:43) specify that positivistic research paradigms aim to discover and explain theories that originate from empirical research. Consequently knowledge is derived from positive information, since it can be statistically verified. As a result, various authors (Collis & Hussey 2014:43–46; McGregor & Murnane 2010:420; Struwig & Stead 2013:5) state that data is derived from experimentation and observation, enabling researchers to identify the spontaneous laws to predict human behaviour, with specific emphasis on explaining human behaviour. In addition, Aliyu, Bello, Kasim and Martin (2014:81), as well as McGregor and Murnane (2010:423) are of the opinion that the positivistic paradigm encourages the idea of experimentation and testing to demonstrate or disprove hypotheses.

Moreover, the research findings of positivistic paradigms are often more observable and quantifiable than are interpretivistic findings (Bryman & Bell 2011:27; Collis 2011:37). Thus the positivistic paradigm is often affiliated with a quantitative research methodology, since the positivistic paradigm assumes that the social phenomenon is quantifiable and can be measured (Bryman & Bell 2011:15; Collis & Hussey 2014:43; Greener 2008:17). Various authors (Cooper & Schindler 2014:147; McNabb 2015:10; Mukherji & Albon 2014:14; Purmessur & Boodhoo 2008:1) assert that quantitative research methodology is often associated with a deductive reasoning approach. Such an approach involves the analysis of numerical data, although the key role of quantitative research is to test specific hypotheses and objective theories by means of examining the correlation between the dependent and independent variables. In addition, Williams (2007:66) states that quantitative research involves determining
the cause and effect relationship between variables. In other words, the data collected will be quantified and is typically presented using statistics (ACAPS 2012:4). Furthermore, Creswell (2008:4), as well as Purmessur and Boodhoo (2008:1) are of the opinion that quantitative research commences with formulating hypotheses, which is then measured by assigning a value. Consequently, numerical data is generated enabling the researcher to draw conclusions. Mukherji and Albon (2014:14) add that quantitative research is a form of conclusive research which often has a structured process for collecting data from large samples. As a result, it can be summarised that the quantitative research methodology is an objective reality approach that makes use of numerical and statistical measurement techniques.

5.4.2 Interpretivistic research paradigm

According to Bryman and Bell (2011:16), interpretivism represents the opposite continuum of the positivistic paradigm. The interpretivistic research paradigm relies on the assumption that social reality is in our minds, and that it is subjective in nature. In other words, interpretive researchers accept that reality is socially structured by an individual’s subjective experiences of the world. Consequently, social reality is influenced by the act of investigating it (Collis & Hussey 2014:47; McNabb 2015:10; Schwartz-Shea & Yanow 2012:133). Antwi and Hamza (2015:218) indicate that interpretivistic researchers assume there are multiple ways to discover knowledge, and that theories are not defined as correct or incorrect. Bryman and Bell (2011:16) are of the opinion that the key difference between the two paradigms is that the interpretivistic paradigm aims to understand human behaviour, while the positivistic paradigm aims to explain human behaviour. From the interpretivistic research paradigm perspective, in-depth research is required in order to thoroughly grasp and understand the phenomenon under investigation (Antwi & Hamza 2015:218; Farquhar & Michels 2012:346).

Struwig and Stead (2013:11), as well as Zikmund et al. (2013:132) assert that the interpretivistic research paradigm includes developing hypotheses and theories to understand the research problem from the participants’ perspective. Additionally, the interpretivistic research paradigm is often associated with a qualitative research methodology, where an inductive approach to generating theory is employed (Bryman & Bell 2011:27). Thus it makes use of an interpretivistic model that enables the existence of multiple perspectives and creating knowledge instead of trying to discover it in reality (Bryman & Bell 2011:15; Greener 2008:17).
According to Heath (2007:27), qualitative research is defined as an attempt to describe, interpret and understand social tendencies, which mostly make use of individual views and thoughts. Therefore, qualitative research is employed in research studies that aim to discover and understand the meaning individuals assign to a problem. Furthermore, qualitative research is used in research studies that do not attempt to enumerate their findings by means of statistical analysis (Cooper & Schindler 2014:147; Marczyk et al. 2005:17; Mukherji & Albon 2014:14).

5.4.3 Qualitative and quantitative research methodologies

As discussed above the two most commonly used research paradigms are the positivistic and interpretivistic research paradigms. In addition, there are two research methodologies, namely quantitative (associated with the positivistic paradigm) and qualitative (associated with the interpretivistic paradigm) which researchers can choose from. Table 5.1 provides a summary of the differences between these qualitative and quantitative research methodologies.

<table>
<thead>
<tr>
<th>Qualitative research methodology</th>
<th>Quantitative research methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subjective in nature</td>
<td>Objective in nature</td>
</tr>
<tr>
<td>Purpose of research is to gain an in-depth understanding; theory building</td>
<td>Purpose of research is to describe and predict; build and test theory</td>
</tr>
<tr>
<td>Small samples</td>
<td>Large samples</td>
</tr>
<tr>
<td>Focus of research is understanding and interpreting</td>
<td>Focus of research is to describe, explain and predict</td>
</tr>
<tr>
<td>Data presented in pictures and words</td>
<td>Data presented in numbers</td>
</tr>
<tr>
<td>Inductive research approach</td>
<td>Deductive research approach</td>
</tr>
<tr>
<td>Validity is high</td>
<td>Validity is low</td>
</tr>
<tr>
<td>Reliability is low</td>
<td>Reliability is high</td>
</tr>
</tbody>
</table>

Source: Adapted from Cooper & Schindler 2014:147; Creswell 2008:4; Gabriel 2015; Struwig & Stead 2013:17; Quinlan et al. 2015:127

Based on the primary, and secondary objectives of this study, a positivistic research paradigm, in conjunction with a quantitative research methodology will be adopted. The reason for adopting this paradigm is that this study requires a relatively large sample and statistical analysis for analysing and interpreting the collected data. Furthermore, justification for making
use of a positivistic paradigm is that the current study focuses mainly on testing hypothesised relationships (see Figures 1.1 and 1.2). The various research approaches associated with quantitative research methodologies will be discussed in greater detail in the next section.

5.5  RESEARCH APPROACH

According to Collis and Hussey (2014:4), the research approach highlights the purpose of the research and explains the reason why the research is being conducted. Collis and Hussey (2014:60), together with Struwig and Stead (2013:11) indicate that there are various approaches to conducting quantitative research. In the following section, reference will be made to these approaches, including exploratory, experimental, explanatory and descriptive research.

5.5.1  Exploratory research

Various researchers (Johnson & Christensen 2014:435; Jones 2015:7) indicate that exploratory research is used when little is known about a specific area of interest. Thus the focus of exploratory research is on identifying a problem or an area of interest that requires more precise investigation. Therefore, exploratory research aims to clarify and describe the nature and magnitude of a problem. Additionally, it is used when the researcher wants to articulate an idea and develop a research question (Cooper & Schindler 2014:21; Neuman 2011:67; Nirmala & Silvia 2011:11). Collis and Hussey (2014:4) explain that the key objective of exploratory research is to identity patterns in order to develop a hypothesis, rather than testing a specific predetermined hypothesis. In other words, exploratory research studies make use of a bottom-up approach or a theory-generating approach to research, which enables the discovery of new ideas and knowledge. Thus, exploratory research studies should not be rigid, but should rather be flexible enough to reflect on the different aspects of a problem (Collis & Hussey 2014:4; Johnson & Christensen 2014:17; Kothari 2004:36; Nirmala & Silvia 2011:11).

5.5.2  Experimental research

Creswell (2008:12) indicates that experimental research aims to determine whether a specific action induces a specific outcome. In other words, experimental research is used by researchers to investigate the relationship between the dependent and independent variable, whereby the
independent variable is manipulated with the aim of observing its effect on the dependent variable (Bryman & Bell 2011:45; Collis & Hussey 2014:60; Quinlan et al. 2015:146). Thus the purpose of experimental research is to determine cause-and-effect relationships (Collis & Hussey 2014:60). The advantage of experimental research is that it enables researchers to observe the effects of systematically changing one or more variables (Johnson & Christensen 2014:41; Marczyk et al. 2005:3). Bryman and Bell (2011:45) as well as Kothari (2004:5) concur by stating that the experimental research approach is characterised by more control over the research environment and allows researchers to manipulate variables to observe its effect on the other variables. However, Quinlan et al. (2015:146) are of the opinion that experimental research rarely occurs in management research owning to the difficulties of controlling all the variables in a given situation.

5.5.3 Explanatory research

According to Moore, Neville, Murphy and Connolly (2010:62), explanatory research, also commonly referred to as analytical research, is an extension of the descriptive research approach. Nirmala and Silvia (2011:11) indicate that explanatory research attempts to clarify if a relationship exists, as well as why a relationship is formed, thereby providing explanations for why an event takes place (Jones 2015:7). Cooper and Schindler (2014:22) are of the opinion that explanatory research goes beyond describing a particular phenomenon, by also attempting to explain the reasons for why the phenomenon exists. Collis and Hussey (2014:5) state that causal explanations will be formed in order to address why a relationship exists between two variables.

5.5.4 Descriptive research

According to Nirmala and Silvia (2011:1), descriptive research systematically describes the characteristics of a particular problem or phenomenon. Furthermore, it aims to describe what is known about the phenomenon. The descriptive research approach aims to answer the following questions: who, what, when, where, and, sometimes how, and the researcher attempts to describe or define a subject by constructing a profile of a group of problems, people, and in some cases events (Cooper & Schindler 2014:21; Kothari 2004:37; Neuman 2011:67). Krishnaswamy, Sivakumar and Mathirajan (2009:164) indicate that descriptive research tries
to discover the relationship between a small numbers of variables by means of statistical analysis. Beri (2013:71) explains that there are two types of descriptive studies available to researchers, namely longitudinal and cross-sectional studies.

(i) Longitudinal studies

According to Collis and Hussey (2014:64), longitudinal studies are often associated with a positivistic research methodology. Moreover, longitudinal studies are used by researchers to examine a sample over a long period of time. Therefore in longitudinal studies the same group of participants are questioned more than once over a period of time (Collis & Hussey 2014:64; Trochim, Donnelly & Arora 2015:14; Zikmund et al. 2013:196). Labaree (2013:8) explains that the purpose of longitudinal studies is to observe changes that take place over a period of time, whereby researchers attempt to provide possible explanations as to why the change has occurred. Jackson (2015:199) and MacLennan (2011:206), together with Quinlan et al. (2015:151) highlight that longitudinal studies are used to establish cause-and-effect in real time, however longitudinal studies are considered one of the most time-consuming and expensive quantitative research methods. As a result, longitudinal studies are not commonly used in management research (Bryman & Bell 2011:57).

(ii) Cross-sectional studies

According to several authors (Bryman & Bell 2011:53; Collis and Hussey 2014:63; Cooper & Schindler 2014:128; Trochim et al. 2015:14), cross-sectional studies are used when researchers are faced with resource and time constraints, therefore the approach involves collecting primary data from a sample over a short period to identify similarities or differences between the sample. In other words, data is collected from participants at a single point in time. Labaree (2013:5) highlights three unique features of cross-sectional studies. First, participants of cross-sectional studies are selected based upon existing differences. Second, cross-sectional studies rely on current differences instead of differences over a period of time and third, cross-sectional studies have no time dimension. Cross-sectional studies provide a snapshot of similarities and differences at one point in time (Collis & Hussey 2014:63; Cooper & Schindler 2014:128; Labaree 2013:5).
For the purpose of this study, a quantitative research methodology, together with a descriptive research approach will be undertaken. Based on the time horizon of this study, the study will be cross-sectional in nature. The rationale for using a descriptive research approach is that a descriptive study establishes the relationships between limited variables, as is the case in this study.

5.6 RESEARCH METHODS

It is important to highlight the difference between research methods and research methodologies. Research methods are the techniques used to conduct research. Therefore the research methods are designed to generate data for statistical analysis. By contrast, the research methodology includes the entire research process (planning and conducting research, drawing conclusions based on the findings, and publicising the research findings). Additionally, the research methodology reflects the strategy that has been selected to answer the research question, as well as dictates the research methods to be used and supports the research approach (Greener 2008:10; Jonker & Pennink 2010:12; Marczyk et al. 2005:22; McGregor & Murnane 2010:420).

Struwig and Stead (2013:6) state that quantitative research methods focus on collecting primary data that are numerical. Despite various authors (Collis & Hussey 2014:148; Hair et al. 2011:197; Struwig & Stead 2013:89) highlighting that there are several quantitative research methods available, including structured interviews and observation, Koenig and Schultz (2016:14) are of the opinion that the most popular method of collecting data that is quantitative in nature, is through the use of surveys. In the following section, surveys will be elaborated on in more detail.

5.6.1 Surveys

Bryman and Bell (2011:54) explain that surveys are cross-sectional in nature, whereby data is collected from participants at a particular point in time. In addition, surveys are used to quantify data relating to two or more variables, with the aim of identifying patterns of associations (Bryman & Bell 2011:54; Cooper & Schindler 2014:83; Zikmund et al. 2013:186). Collis and Hussey (2014:62) state that surveys enable researchers to generalise their findings obtained
from the sample to the research population. Adams and Lawrence (2015:106) add that surveys require respondents to evaluate their own perceptions and behaviour, thereby enabling researchers to obtain information relating to people’s thoughts that cannot be observed. Surveys are a popular quantitative research method as they allow large samples to answer structured questions, which in turn can be statistically analysed (ACAPS 2012:12; Adams & Lawrence 2015:106; Cooper & Schindler 2014:225; Leeuw & Schmeets 2016:138).

According to Bryman and Bell (2011:54), surveys commonly make use of a questionnaire to collect data that is quantitative in nature. A questionnaire is defined as a sequence of questions designed to extract information from a respondent when asked by a researcher to complete the questionnaire (Neelankavil 2007:160; Sabela 2014:44). Questionnaires are often associated with quantitative research, since they numerically represent trends, attitudes and opinions of a population that are drawn by studying a sample, with the intent of making inferences about the population (Creswell 2014:156–157; Schmuck 2013:14).

According to Harrison, Cupman, Truman and Hague (2016:128), there are two types of questionnaires, namely structured and unstructured. Structured questionnaires make use of a set of predetermined questions (Gupta & Gupta 2011:73). Thus the researcher determines the questions to be asked in advance. A structured questionnaire can include both open- and close-ended questions. Open-ended questions do not provide the respondent with possible responses, while close-ended questions provide a full set of responses from which the respondent must choose (Reja, Manfreda, Hlebec & Vehovar 2003:163). Furthermore, the questions must be presented in identical wording and similar sequence to all respondents and asked exactly as they are written. In other words, the questions must be standardised (Edelstein 2011:62; Struwig & Stead 2013:6).

Bryman (2016:244) is of the opinion that researchers should limit the use of open-ended questions in self-administered questionnaires in order to encourage respondents to complete the questionnaire. Phillips, Phillips and Aaron (2013:3) indicate that there are various ways to administer a questionnaire, however the most commonly used method is the self-administered questionnaire. Babbie (2015:268), as well as Zikmund and Babin (2007:219) state that self-administered questionnaires refer to surveys where participants undertake the responsibility of reading and answering the questions in their own time. The self-administered questionnaire is
popular among researchers because of its ability to generate data from a large sample at a relatively low cost, in comparison with other data collection methods (Mitchell & Jolley 2013:286). In addition, since participants are able to complete the questionnaire in their own time, participants are more likely to think about their response. Thus researchers using this method are able to extract more personal information from participants at a lower cost than from in-depth interviews (Babbie 2016:262; Cooper & Schindler 2014:225; Zikmund & Babin 2007:219).

In order to achieve the primary objective of this study, this research study will make use of a survey method using a structured, self-administered questionnaire. This choice has been made because questionnaires are better suited to the large sample size required and also for the collection of statistically analysable data. Furthermore, a self-administered questionnaire was chosen, since it is cost- and time-effective (Cooper & Schindler 2014:225; Rubin & Babbie 2010:123). In addition, Rubin and Babbie (2010:129) state that questionnaires limit interviewer bias, and reduce the possibility of researchers being bias while capturing and interpreting the data.

5.7 DATA COLLECTION

For their studies, researchers are required to make certain decisions relating to the collection of secondary and primary data. Hence a description will follow regarding how the secondary and primary data has been collected for this study.

5.7.1 Secondary data collection (Literature review)

Secondary data is defined by Struwig and Stead (2013:82) as data that is not directly gathered, but is already available. Therefore, secondary data has been gathered and recorded by someone other than the user, for an alternative reason than the current research (Kadam et al. 2013:5). Sources of secondary data include annual reports, journal articles, newspaper articles, government publications and business reports (Struwig & Stead 2013:82; Wilson 2010:170). Struwig and Stead (2013:82) warn users of secondary data to first assess the reliability of the data before using it, since it is data that has been collected for an alternative purpose and can also be outdated.
The secondary research of this study involved undertaking an in-depth literature review in order to identify and determine the marketing and branding practices of family SMEs. In particular, secondary sources relating to the nature and importance of family SMEs, the nature of marketing in general, and more specifically the branding practices of family SMEs were reviewed. The results of these are summarised in Chapters 2 and 3. The secondary research was conducted by consulting textbooks, journal articles, magazine articles and conference papers on the related topics. The relevant secondary sources formed the basis for the two proposed hypothesised models illustrated in Figures 1.1 and 1.2. Both national and international databases were utilised via the NMMU library, including databases such as Emerald, EBSCOhost, Sabinet, as well as searches of Google and Google Scholar.

5.7.2 Primary data collection (Empirical investigation)

Primary research underpins the empirical investigation of a study. Kadam et al. (2013:5) define primary data as first-hand data that is collected specifically for the researcher’s own purpose. In other words, primary data is gathered through the efforts of the researcher. This involves selecting an appropriate population, sample frame and sampling techniques, as well as a suitable sample size. In addition, primary research involves the data collection process, the administering of the measuring instrument, and the methods of data analysis used in a study.

5.7.2.1 Population studied

Struwig and Stead (2013:268) define a population as all possible respondents in a research study. The population represents all the elements, units, people and objects that have similar characteristics, which are the focus of the study (Adams & Lawrence 2015:118; Quinlan et al. 2015:169; Struwig & Stead 2013:114). Collis and Hussey (2014:197) state that if the research population is reasonably small, researchers are able to include the entire population in the study; however, more often than not, researchers are unable to study an entire population. Therefore researchers make use of a sample when conducting research (Salkind 2010:1109). For the purpose of this study the research population is all family SMEs located in the Eastern Cape. The sampling frame, sampling techniques and how the sample was selected for this study are discussed in the following sections.
5.7.2.2 Sample frame

A sample frame, also commonly referred to as the working population, is a complete list of the sampling units in the population from which the sample will be drawn (Fragniere & Javanmardi 2011:10; Hair et al. 2011:167; Quinlan et al. 2015:171). A sample frame represents a list of all the people in the population, for example, a list of family SMEs located in the Eastern Cape (Collis & Hussey 2014:197; Struwig & Stead 2013:115). Given the unique characteristics of family SMEs, there is no accessible comprehensive list available of the population of family SMEs in the Eastern Cape. For this reason, no sampling frame was used in this study.

5.7.2.3 Sampling and sampling techniques

According to Fragniere and Javanmardi (2011:5), sampling is defined as the “act, process or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population.” Thus, a sample refers to a subsection of the population that is researched and has been selected to represent the population (Cooper & Schindler 2014:84; Struwig & Stead 2013:270). Furthermore, sampling is used to obtain information about a population without having to study the entire population; this also known as representative sampling (Salkind 2010:1053).

Researchers can choose between two sampling techniques, namely probability and non-probability sampling (Struwig & Stead 2013:116). Hassam (2013:2) explains that researchers using probability sampling select the sample by making use of objective procedures which result in each sample unit in the group having a corresponding chance of being selected. In non-probability sampling, the possibility of any specific member of the population being selected to participate in the study is unknown and the selection of sampling units is done in a non-systematic manner, since researchers rely on personal judgement (Collis & Hussey 2014:132; Struwig & Stead 2013:116).

(a) Probability sampling techniques

According to Black (2012:226) as well as Bryman and Bell (2011:176), probability sampling techniques are used by researchers to minimise sampling errors, by providing each unit from
the population the same probability of being included in the sample. In other words, chance plays a significant role in the selection process of participants. There are numerous probability sampling techniques, including simple random, systematic, stratified and cluster sampling (Black 2012:226; Struwig & Stead 2013:119). According to Salkind (2010:1109), a random selection process is utilised by probability sampling methods in order to avoid bias errors.

*Simple random sampling* is considered the most upfront sampling method, serving as the foundation for other random sampling techniques. Each member has an equal opportunity of being included in the sample. Moreover, in simple random sampling, each member of the sampling frame is allocated a number and then a sample unit is selected by a random method. Drawing the winning ticket from a bowl in a raffle competition is an example of simple random sampling (Babbie 2016:216; Hair *et al.* 2011:169; Struwig & Stead 2013:122).

*Systematic sampling* is adapted from the simple random sampling technique (Babbie 2016:217; Cohen, Manion & Morrison 2007:111). Instead of selecting participants at random, participants are selected in a systematic order. According to Struwig and Stead (2013:120), systematic sampling involves determining the initial point and then every kth number on the list from there onwards.

In *stratified sampling*, the population is divided into subgroups, where each group comprises participants who share similar characteristics (Cohen *et al.* 2007:112). A sample is then drawn from each subgroup, providing a better representation of groups (Struwig & Stead 2013:199). Babbie (2016:221), together with Guest and Namey (2015:553) concur that stratified sampling will lead to a more equal representation of the wider population. However stratified sampling is not only more time-consuming than other random sampling techniques, but it may also be more difficult to calculate population estimates.

*Cluster sampling* is used when participants cannot be selected individually (Struwig & Stead 2013:119). It involves dividing the population into groups or clusters. The sample is then randomly selected from the groups. One of the advantages of cluster sampling is that it can be used to approximate the characteristics of clusters, along with the population at large (Pellissier 2007:32). However, Guest and Namey (2015:533) highlight that cluster sampling may lead to a higher sampling error than in simple random sampling.
According to Black (2012:226), in non-probability sampling, not every unit of the population has an equal opportunity of being selected. In other words, chance does not play a significant role in the selection process of participants. Furthermore, non-probability sampling infers that some units within the population are more likely to be chosen than others, resulting in a sample that is not representative of the research population. There are numerous non-probability sampling techniques available such as snowball, purposive, and convenience sampling (Black 2012:226; Collis & Hussey 2014:132; Hair et al. 2011:169; Struwig & Stead 2013:116–117).

Snowball sampling has gained increased popularity in recent years. Trochim et al. (2015:90) explain that researchers commence the snowball sampling process by identifying possible participants who meet the specific qualifying criteria. Thereafter, researchers ask participants to identify other individuals who also meet the criteria. Snowball sampling is used to locate members (who form part of a rare population) by means of networking and recommendations from current participants (Boswell & Cannon 2016:286; Cooper & Schindler 2014:360; Struwig & Stead 2013:118).

In purposive sampling, a sample is selected based on a predetermined criterion set by the researcher (Cooper & Schindler 2014:359). Bryman (2016:408) asserts that researchers use the purposive sampling method to ensure the sample selected is relevant to the primary objective of the research. Cooper and Schindler (2014:359) state that there are mainly two forms of purposive sampling, these being quota and judgemental sampling. Quota sampling is described by Cohen et al. (2007:114), as the non-probability equivalent of stratified sampling. Quota sampling is used to improve the representation of the sample (Cooper & Schindler 2014:359; Hair et al. 2011:175). According to Guest and Namey (2015:525), quota sampling can be divided into two groups namely, proportional and non-proportional quota sampling. In proportional quota sampling, researchers will sample until the specified number of sampled units for each subsection is achieved, while non-proportional sampling is more flexible, allowing researchers to stipulate the number of sampled units they want in each subsection (Trochim et al. 2015:89–90).
Cooper and Schindler (2014:359) together with Johnson and Christensen (2014:264) indicate that in *judgemental sampling* the researcher establishes a criterion, and selects the sample according to the stipulated criteria. *Judgemental sampling* involves selecting a sample based on the researchers’ judgement about the population (Cohen *et al.* 2007:114; Struwig & Stead 2013:116). Pellissier (2007:32) indicates that this method of sampling is used to save time and cost. However, Black (2012:232) is of the opinion that researchers often make errors in judgements leading to increased systematic errors, causing researcher bias.

*Convenience sampling*, also known as accidental sampling, is a non-probability sampling technique used in exploratory research (Gravetter & Forzano 2015:147; Struwig & Stead 2013:116-117). As suggested by the name, convenience sampling involves selecting participants based on availability and willingness. Thus, participants are chosen purely because they are accessible and willing to participate in the study. Although this method of sampling is widely used, it is considered to be one of the weakest forms of sampling, since no attempt is made by researchers to have an equal representation of the wider population. As a result, it is difficult to generalise the findings of the sample to the wider population (Black 2014:231; Gravetter & Forzano 2015:147; Hair *et al.* 2011:175; Struwig & Stead 2013:117).

For the purpose of this study, two non-probability sampling techniques, namely judgemental and convenience sampling were used to identify the respondents. As the primary objective of this study is to investigate selected marketing and branding practices adopted by family SMEs, judgemental sampling was used to ensure all respondents adhered to the criterion, as stipulated in section 5.7.2.6. Justification for the use of convenience sampling was based on the time constraints associated with the study, together with the fact that convenience sampling results in a large number of completed questionnaires over a short period (Jugenheimer, Kelley, Hudson & Bradley 2015:142; Masterson & Pickton 2010:189).

5.7.2.4 Sample size

According to Kadam and Bhalerao (2010), a sample size simply refers to the number of participants who have been selected to participate in a given research study. Bryman and Bell (2011:187–188) explain that despite the fact that a larger sample is considered to be more representative of the wider population, it does not immediately guarantee accuracy, instead as
the size of the sample increases, the sampling error decreases. Thus, Bryman and Bell (2011:187), together with Struwig and Stead (2013:124), are of the opinion that selecting an adequate sample size is one of the most difficult decisions researchers are confronted with, since there is no definite answer because the sample size is influenced by a variety of factors, including resource restraints, the nature of statistical analysis to be performed, as well as the accuracy of the results that are required (Bryman & Bell 2011:187; Struwig & Stead 2013:187–188).

Hair, Black, Babin and Anderson (2013:574) state that the sample size required for a study is determined by the number of constructs included in the study. As is the case in the current study, Hair et al. (2013:574) recommends that studies with fewer than seven constructs will require a minimum sample size of 300 respondents. For research that is quantitative in nature, the sample size is required to be large enough to identify relationships between variables (Grove, Gary & Burns 2015:274). According to Struwig and Stead (2011:155) it is important for researchers who collect data using questionnaires to allow for a 25 per cent non-response factor. Given that there are six constructs in the proposed hypothesised models (see Figures 1.1 and 1.2) and accounting for a 25 per cent non-response factor, 500 questionnaires were distributed to potential respondents in order to obtain a sample size of 300 respondents.

Family SME owners in the Eastern Cape who met the specified criteria were approached by fieldworkers from NMMU, whereby a self-administered questionnaire was handed out to willing participants, resulting in 500 potential respondents. From the 500 questionnaires distributed to family SMEs, 403 questionnaires were completed and returned. The response rate, according to Floyd and Fowler (2014:43) as well as Wilson (2010:205), refers to the number of respondents who respond to the questionnaire, and is often reported as a percentage of the sample size. The response rate is calculated by dividing the number of questionnaires returned, by the number of questionnaires distributed (Floyd & Fowler 2014:43). As indicated in Table 5.2, a response rate of 80.60 per cent was achieved.
### Table 5.2: Response rate

<table>
<thead>
<tr>
<th></th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample size</td>
<td>500</td>
</tr>
<tr>
<td>Total number of questionnaires returned</td>
<td>403</td>
</tr>
<tr>
<td>Usable questionnaires returned</td>
<td>325</td>
</tr>
<tr>
<td>Response rate</td>
<td>80.60%</td>
</tr>
<tr>
<td>Effective response rate</td>
<td>65.00%</td>
</tr>
</tbody>
</table>

From Table 5.2, it can be seen that of the 403 questionnaires returned, only 325 were usable for statistical analysis, resulting in an effective response rate of 65.00 per cent.

5.7.2.5 Measuring instrument development

The measuring instrument used in this study consisted of a cover letter and nine sections (see Annexure 1). The cover letter accompanying the questionnaire provided a detailed description of the research topic, as well as the objective of the research. In addition, the cover letter highlighted the criteria that respondents had to meet in order qualify to participate in the study, as well as an assurance of confidentiality. Moreover, information relating to the university (NMMU) and to the department (the Unit of Applied Management Sciences) responsible for the research, was provided.

Section A of the measuring instrument requested that respondents provide demographic information relating to the family business owner, as well as the family business. The demographic information relating to the family business owner included his/her gender, age, ethnicity, and whether a tertiary qualification was held, while questions pertaining to the family business included which generation owns the family business, the number of employees, as well as the nature of the family business operations. Sections B and C of the measuring instrument required respondents to answer 10 questions collectively relating to the family business’s competitive orientation, whereby Section B included five items intended to measure *Customer service differentiation*, while five items were also used in Section C to measure *Product differentiation*. A five-point Likert-type scale was used to measure the extent to which respondents agree or disagree with each statement. The five-point Likert-type scale was
interpreted as: *Strongly agree* (5), *Agree* (4), *Neutral* (3), *Disagree* (2), and *Strongly disagree* (1).

Section D consisted of seven dichotomous questions which respondents were requested to answer, relating to the family businesses’ *Marketing function*. Section E consisted of five dichotomous questions for respondents answer, relating to *Branding of the family name*. Various researchers (Bryman & Bell 2011:341; Quinlan et al. 2015:357; Reid & Bojanic 2010:244) explain that dichotomous questions only provide respondents with two possible answers, for example “yes” or “no”. In Sections D and E, the dichotomous answers were interpreted as: *Yes* (1) and *No* (2).

Section F consisted of four items intended to measure the *Promotion of family business*. A five-point Likert-type scale (ranging from 1=strongly disagree to 5=strongly agree) was used for this section. Section G of the measuring instrument required respondents to indicate their extent of agreement that a *Family business image* is projected to stakeholders. Section H consisted of four statements describing *Stakeholders perception* of the family business, while Section I consisted of six items that were intended to measure the dependent variable, *Perceived financial performance*. Sections F, G, H and I also made use of five-point Likert-type scale, interpreted as: *Strongly agree* (5), *Agree* (4), *Neutral* (3), *Disagree* (2), and *Strongly disagree* (1).

5.7.2.6 Qualifying questions

In order to ensure that the respondents qualified to participate in the study, Section A of the questionnaire included several questions which required participants to acknowledge that they met the stipulated criteria for participating in this study. The criteria for qualifying were the following:

- The business had to have at least two family members working in the business;
- The family had to own more than 50 per cent of the shares in the business;
- The business had to be in operation for at least one year;
- The business had to employ more than five but fewer than 200 full-time employees;
- The respondent had to be the owner of the business; and
• The owner had to be actively involved in the daily running and managing of the business.

The above-mentioned criteria were used to ensure that the respondents were indeed the owners of a family SME, thereby reducing unusable questionnaires. Based on the aforementioned criteria for the purpose of this study, a family SME was defined as one where at least two family members actively work in the business, whereby a single family owns more than a 50 per cent share in the business, and the business has been in operation for at least one year, employing more than five, but fewer than 200 full-time employees.

5.7.2.7 Scale development and operationalisation

Jonker and Pennink (2010:51), as well as Naverro (2015:13) explain that operationalisation is the method by which a researcher links the theoretical construct of research with the empirical evidence. In other words, operationalisation involves changing the theoretical construct (the variable researcher is trying to measure) of the model into a concept that can be measured and observed in the empirical research (Dessers 2013:63; Jonker & Pennink 2010:51). Cohen et al. (2007:71) define operationalisation as the process of transforming the general research purpose into very specific questions, to which respondents can give explicit answers. The scales for measuring the various theoretical constructs under investigation in this study were developed based on previous research, which also focused on family business branding. The selected marketing and branding practices (Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception) investigated in this study, together with Perceived financial performance are operationalised in Tables 5.3 to 5.8.

(a) Perceived financial performance

In order to measure the dependent variable Perceived financial performance, a six-item scale was sourced by consulting existing studies, including that of Farrington (2009) and Matchaba-Hove (2013). The operationalisation of Perceived financial performance, together with the six items measuring this scale are presented in Table 5.3.
Table 5.3: Operationalisation of the dependent variable Perceived financial performance

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINPER1</td>
<td>My family business has experienced growth in employee numbers over the past two years.</td>
</tr>
<tr>
<td>FINPER2</td>
<td>The financial wellbeing of my family business is secure.</td>
</tr>
<tr>
<td>FINPER3</td>
<td>My family business has experienced growth in profits over the past two years.</td>
</tr>
<tr>
<td>FINPER4</td>
<td>I regard my family business as being financially successful.</td>
</tr>
<tr>
<td>FINPER5</td>
<td>My family business is profitable.</td>
</tr>
<tr>
<td>FINPER6</td>
<td>My family business has experienced growth in turnover over the past two years.</td>
</tr>
</tbody>
</table>

(b) Customer service differentiation

The independent variable Customer service differentiation was operationalised using a five-item scale sourced from the studies of Craig et al. (2008), Dess and Davis (1984), Flören et al. (2015), as well as Johnson et al. (2009). The operationalisation of Customer service differentiation and the sources of the items measuring this factor are summarised in Table 5.4.

Table 5.4: Operationalisation of the independent variable Customer service differentiation

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSD1</td>
<td>Tight control of selling/general/administrative expenses.</td>
</tr>
<tr>
<td>CSD2</td>
<td>Customer service (including after sales support).</td>
</tr>
<tr>
<td>CSD3</td>
<td>Innovation in marketing techniques.</td>
</tr>
<tr>
<td>CSD4</td>
<td>Quick delivery and immediate response to customer orders.</td>
</tr>
<tr>
<td>CSD5</td>
<td>Higher quality standards than competitors.</td>
</tr>
</tbody>
</table>
(c) Product differentiation

A five-item scale was developed to measure the independent variable Product differentiation. In Table 5.5, the operational definition of Product differentiation is presented, together with the sources for the items measuring this factor.

Table 5.5: Operationalisation of the independent variable Product differentiation

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD1</td>
<td>Developing/selling new products and/or services.</td>
</tr>
<tr>
<td>PD2</td>
<td>Developing/selling specialty products and/or services.</td>
</tr>
<tr>
<td>PD3</td>
<td>Upgrading existing products’ appearance and performance.</td>
</tr>
<tr>
<td>PD4</td>
<td>Investing in new R&amp;D facilities to gain a competitive advantage.</td>
</tr>
<tr>
<td>PD5</td>
<td>Emphasising products and/or services for high price market segments.</td>
</tr>
</tbody>
</table>

(d) Promotion of family business

In this study, a four-item scale was developed to measure Promotion of family business. From Table 5.6 it can be seen that two of the items were based on the study of Astrachan and Astrachan (2015), while the remaining two items were based on the study of Craig et al. (2008). Table 5.6 illustrates the operationalisation of Promotion of family business and the sources of the items.

Table 5.6: Operationalisation of the independent variable Promotion of family business

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROMFB1</td>
<td>The business is promoted as a family business to suppliers.</td>
</tr>
<tr>
<td>PROMFB2</td>
<td>The business is promoted as a family business to customers.</td>
</tr>
<tr>
<td>PROMFB3</td>
<td>The business is promoted as a family business to potential employees.</td>
</tr>
</tbody>
</table>
The business is promoted as a family business to financiers. Craig et al. (2008)

(e) Family business image

The factor Family business image was operationalised using a seven-item scale. As illustrated in Table 5.7, the items were based on the studies of Craig et al. (2008), Flören et al. (2015), Memili et al. (2010), as well as Zellweger et al. (2012).

**Table 5.7: Operationalisation of the independent variable Family business image**

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBIMAGE1</td>
<td>The fact that the business is a family business is included in advertising material (e.g. letterhead, website, vehicle signage). Craig et al. (2008); Flören et al. (2015)</td>
</tr>
<tr>
<td>FBIMAGE2</td>
<td>The marketing strategy of the business is based on the fact that the business is a family business. Flören et al. (2015)</td>
</tr>
<tr>
<td>FBIMAGE3</td>
<td>The family business name is recognised in the community. Memili et al. (2010)</td>
</tr>
<tr>
<td>FBIMAGE4</td>
<td>The family name is used as a brand when doing business.</td>
</tr>
<tr>
<td>FBIMAGE5</td>
<td>In advertisements, it is mentioned that the business is a family business. Zellweger et al. (2012)</td>
</tr>
<tr>
<td>FBIMAGE6</td>
<td>Most customers know that this is a family business. Memili et al. (2010); Zellweger et al. (2012)</td>
</tr>
<tr>
<td>FBIMAGE7</td>
<td>The fact that the business is a family business is a great marketing tool. Memili et al. (2010); Zellweger et al. (2012)</td>
</tr>
</tbody>
</table>

(f) Stakeholder perception

A four item scale was developed to measure Stakeholder perception. The items were sourced from the study of Flören et al. (2015). In Table 5.8 the operationalisation of Stakeholder perception is provided and the items measuring this factor are summarised.

**Table 5.8: Operationalisation of the independent variable Stakeholder perception**

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHPERC1</td>
<td>Our customers think it is important that we are a family business. Flören et al. (2015)</td>
</tr>
<tr>
<td>SHPERC2</td>
<td>Our employees think it is important that we are a family business.</td>
</tr>
</tbody>
</table>
Our suppliers think it is important that we are a family business.

Our financiers think it is important that we are a family business.

In addition to the above sections in the questionnaire consisting of ordinal scales, several sections with dichotomous questions were also posed to respondents. These questions and their sources are summarised in the tables below.

(g) Marketing function

As was mentioned in section 5.7.2.5, respondents were asked to answer seven dichotomous questions relating to the *Marketing function* in their family business. In Table 5.9 the seven questions are presented, all of which were sourced from the study of Flören *et al.* (2015). These questions are descriptive in nature.

**Table 5.9: Marketing function**

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARK1: Does your family business have a written market strategy?</td>
<td>Flören <em>et al.</em> (2015)</td>
</tr>
<tr>
<td>MARK2: Do you have a separate department in this family business that deals with marketing only, i.e. deals with the promotion of your products/services and or communication with (potential) customers?</td>
<td></td>
</tr>
<tr>
<td>MARK3: Is the person responsible for marketing in your family business the owner or a family member of the owner?</td>
<td></td>
</tr>
<tr>
<td>MARK4: Does your family have a significant influence on the marketing strategy of the family business?</td>
<td></td>
</tr>
<tr>
<td>MARK5: Does your family business make use of external support for the development and implementation of its marketing strategy?</td>
<td></td>
</tr>
<tr>
<td>MARK6: Is the marketing strategy of the business based on the fact that the business is a family business?</td>
<td></td>
</tr>
<tr>
<td>MARK7: Please indicate the percentage of turnover that your family business spends on marketing activities.</td>
<td></td>
</tr>
</tbody>
</table>

(h) Branding of the family name

As seen in Table 5.10, several dichotomous questions were posed to respondents to assess whether the name of the family business is used in their branding. More specifically, respondents were asked to answer five questions relating to whether or not the family name (surname) appears on the name, logo, brand, website or in the advertising material of the family business.
Table 5.10: Branding of the family name

<table>
<thead>
<tr>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMB1</td>
<td>Does the family name (surname) appear in the name of the family business?</td>
</tr>
<tr>
<td>FAMB2</td>
<td>Does the family name (surname) appear on the brands of the family business?</td>
</tr>
<tr>
<td>FAMB3</td>
<td>Does the family name (surname) or other family-related elements appear in the logo of the family business?</td>
</tr>
<tr>
<td>FAMB4</td>
<td>Does the history of the family business appear on the website of the family business?</td>
</tr>
<tr>
<td>FAMB5</td>
<td>Does the family name (surname) appear on the advertising material of the family business?</td>
</tr>
</tbody>
</table>

5.7.3 Administration of the measuring instrument

As mentioned in section 5.6.1, a survey research method was undertaken using a structured, self-administered questionnaire. Family SMEs were identified using two non-probability sampling techniques, known as convenience and judgemental sampling (see section 5.7.2.3). Family SME owners were personally approached by fieldworkers from NMMU during the months of August and September 2015, and asked to participate in the study. Family SME owners who agreed to participate in the study were given a questionnaire in person, which was collected by fieldworkers upon completion. Subsequently the completed questionnaires were examined to ensure the questionnaire was completed correctly, and that the qualifying criteria had been met. Collected questionnaires that were completed correctly and qualified to participate in the study were put forward for data capture.

Krosnick and Presser (2010:292) state that it is particularly important for researchers who make use of a self-administered questionnaire to examine the questionnaires for missing data. Self-administered questionnaires are known for having a higher rate of missing values as a result of questionnaire fatigue. Thus, upon receiving the completed questionnaires, they were examined for missing data. In the case of demographic data that was missing, the fields were left as is, or where applicable, they were treated as data which respondents were not willing to provide. In Sections B, C, F, G, H, and I (where respondents were required to indicate their extent of agreement) if more than three fields were not completed the questionnaire was not considered for further analysis. However, if fewer than three values were missing for a particular variable, the arithmetic mean imputation approach was used.
The arithmetic mean imputation, also commonly referred to as the mean-substitution approach, is used to fill in the missing values for a given variable by calculating the mean value of the available cases for that specific variable (Enders 2010:42; Liu 2016:445). According to Baguley and Andrews (2016:68) the mean-substitution approach is the most commonly used method for replacing missing data, because of its inherent simplicity. However, Hair et al. (2013:53) add that the mean-substitution approach is best suited when there are only a few missing values for each variable, as was the case in this study. After dealing with missing values the remaining questionnaires were numbered and captured on an Excel spreadsheet which was then prepared for statistical analysis.

5.7.4 Ethical considerations

Ethics, according to Cooper and Schindler (2014:28), as well as Ghillyer (2012:4) refer to moral standards of behaviour which guide individuals on how they should conduct themselves, and also how individuals think and act towards others. The main purpose of incorporating ethics into research is to ensure that no one is harmed or suffers adverse effects as a result of the research (Cooper & Schindler 2014:28). Numerous ethical considerations were taken into account in the administration of the measuring instrument as indicated in the following section. In addition to the various ethical considerations adhered to in this study, this study was subjected to the research ethics approval procedures at NMMU, where it was deemed that no harmful or adverse effects will be experienced by respondents (see Annexure 2).

In this study the following ethical considerations were adhered to:

(a) Right to anonymity and confidentiality

Despite the terms anonymity and confidentiality often being used interchangeably, the two concepts are in fact different (King & Horrocks 2010:117). According to various researchers (Bryman & Bell 2015:123; King & Horrocks 2010:117; Quinlan et al. 2015:46) anonymity refers to the researcher not revealing the identity of the research participant. In other words, it is a guarantee made by the researcher to the research participant, whether it be a person, or business, that they will not be identified at any point during or after the research, and will also not be identifiable in any written account. Collis and Hussey (2014:32–33), together with
Swayne and Dodds (2011:1052) explain that guaranteeing the anonymity of participants encourages them to freely express their opinions, prompting respondents to give more honest feedback. Confidentiality, on the other hand, is an assurance that the information provided by the participant will not be disclosed publically in a manner that is traceable to the individual or business providing it (Babbie 2016:67; Collis & Hussey 2014:33; Quinlan et al. 2015:46).

In this study, the researcher safeguarded against the unauthorised access of the collected data by password-protecting the files, and only making the collected data available to the researcher and her two supervisors. As was promised in the cover letter, all information was treated in the strictest confidence and the final report did not include any identifying information, thereby ensuring that any information relating to the identity of respondents would not be revealed.

(b) Right to voluntary participation

Bryman and Bell (2015:123) state that researchers have an ethical obligation to inform participants of the nature of the research, as well as the research process, whereby respondents are required to give (in most cases written) consent to participate in the research. In other words, respondents should not be coerced by the researcher to participate in the study; instead respondents are required to willingly partake in the research study (Babbie 2016:65; Quinlan et al. 2015:46). The cover letter of the measuring instrument informed participants of the nature of the research, and the purpose and objectives of the research were stipulated. As such, implicit consent was obtained from willing participants. Participants were informed that they were under no obligation to participate.

(c) Right to privacy

Collis and Hussey (2014:310) explain that researchers are required to protect the privacy of participants, and also avoid the invasion of privacy of participants. According to Malu (2016:239), as well as Ruane (2016:55), the invasion of a respondent’s privacy occurs when researchers publically disclose personal information of respondents, without obtaining consent from respondents. In this study, the researcher refrained from invading the privacy of respondents by not disclosing any identifiable details of respondents, and maintained privacy on all personal matters arising as a result of the information provided by respondents.
5.8 METHOD OF DATA ANALYSIS

Quinlan et al. (2015:8) define data analysis as the process of assessing, describing, interpreting and making inferences from the primary data gathered. Data analysis is the systematic process of reducing the collected data to a more manageable amount, whereby raw data is converted into useful information, in order to identity patterns (Cooper & Schindler 2014:86). Quinlan et al. (2015:323) explain that there are four stages in the data analysis process. First the data should be described, implying that the researcher should perform descriptive analysis on the data. Second, the researcher should interpret the data, meaning researchers are required to interpret what it is they think the data means or represents (Friese 2012:133; Peck, Olsen & Devore 2016:4). Once researchers have an understanding of what the data means, conclusions can be drawn. The final stage in the data analysis process includes that of theorisation. It is during this stage that researchers are required to contribute to the body of knowledge related to the specific research topic (McNabb 2015:288; Peck et al. 2016:6; Quinlan et al. 2015:323).

The data analysis in this study initially involved assessing the validity and reliability of the measuring instrument. Afterwards, descriptive statistics such as the mean, variance, standard deviation, and frequency tables were calculated to describe and summarise the collected data. In addition, inferential statistics, including Pearson’s product moment correlations, regression analyses (both single and multiple regression analyses) and ANOVA were also undertaken. A Pearson’s product moment correlation was calculated in order to determine the strength of the correlation between the independent and the dependent variables, whereas the MRA was used to test the hypothesised relationships between the dependent variable (Perceived financial performance) and independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image). In addition, two single regression analyses were undertaken to determine the relationships between Stakeholder perception and Promotion of family business, as well as its influence on Family business image. Finally, an ANOVA was undertaken to determine whether relationships could be found between selected demographic variables, and the selected marketing and branding practices of family SMEs investigated in this study. The aforementioned statistical analysis was performed using the statistical software program STATISTICA version 13.
In the following section, the validity and reliability of the measuring instrument will be discussed. In addition, reference will be made to the descriptive statistics, as well as the various inferential statistical techniques used in this study.

5.8.1 Validity of the measuring instrument

Adams and Lawrence (2015:69) are of the opinion that validity simply indicates the accuracy of a measuring instrument. Validity refers to how well a measuring instrument gauges a given variable and the extent to which it enables the researcher to make assumptions based on the findings. In other words, a measuring instrument is valid, if it measures what it was supposed to measure (Phillips & Gully 2012:215). According to Marczyk et al. (2005:66), validity is linked to the research methodology, since the aim of validity is to increase the precision of research findings by means of excluding perplexing variables. Thus, when the validity of a study increases, the credibility of the research findings increases (Marczyk et al. 2005:66).

(a) Types of validity

The validity of a measuring instrument can be divided into internal and external validity. Various researchers (Adams & Lawrence 2015:71; Cohen et al. 2007:135; Morgan, Gliner & Harmon 2008:130) differentiate between internal and external validity by stating that internal validity refers to the soundness of a measure, whereas external validity refers to the extent to which the results can be applied to the wider population. Moreover, researchers use internal validity when investigating causal relationships. In other words, internal validity indicates the extent to which changes in one variable are caused by changes in another variable (Adams & Lawrence 2015:71; Kara 2015:68). There are four basic approaches available to researchers to test validity, namely face, content, criterion and construct validity (Adams & Lawrence 2015:93; Rees 2016:50).

*Face validity* refers to the extent to which a measuring instrument measures what it was supposed to measure (Bryman & Bell 2015:39; Phillips & Gully 2012:217). According to Rees (2016:50) face validity is often used in quantitative research to ensure that the measuring instrument satisfactorily covers the particular topic in their study. Furthermore, face validity is a subjective assessment on the operationalisation of a concept. This form of validity is
considered weak in comparison to the other validity approaches, and enhances the validity of a study when used in conjunction with other types of validity that are considered more objective (Drost 2011:116; Rees 2016:50).

*Content validity* refers to the extent to which the items in the scale are representative of the theoretical content of the construct being measured (Struwig & Stead 2013:149). In other words, content validity ensures that the measure captures the full meaning of the concept under investigation (Chambliss & Schutt 2013:76). According to Cooper and Schindler (2014:258) content validity refers to a panel of experts discussing whether or not the content of the items is representative of the particular construct under investigation. If the panel agree that the items are representative of the theoretical construct being measured, it can be said that the measuring items are valid (Adler & Clark 2015:140).

Drost (2011:118) explains that *Criterion validity* examines the correlation between two or more tests that appear to be similar. Thus, it only specifies whether or not it is related or unrelated to a different test (Struwig & Stead 2013:147). Aparasu (2011:66) indicates that criterion validity is used to measure two forms of validity, namely predictive and concurrent validity, where predictive validity is used to assess the instrument’s ability to predict future performance. Concurrent validity is used by researchers to accurately predict an instrument’s current performance (Baumgartner, Jackson, Mahar & Rowe 2016:121; Grinnell & Unrau 2011:187).

*Construct validity* indicates how well the test measures the theoretical construct it was intended to measure. In order for researchers to warrant the validity of a construct, it is essential that they clearly define the construct, as well as hypothesise on its relationship with other variables (Bryman & Bell 2015:39; Drost 2011:116; Struwig & Stead 2013:149). Baumgartner *et al*. (2016:126) state that there are two forms of construct validity, namely convergent and discriminant validity. Convergent validity relates to the correlation of two tests that theoretically measures identical constructs (Baumgartner *et al*. 2016:126; Vogel, Maas & Gebauer 2011:341). Cooper and Schindler (2014:256-259), as well as Struwig and Stead (2013:150) explain that convergent validity demonstrates the degree to which scores of a test coincide with other scores that measure similar constructs. Discriminant validity is derived by correlating two tests that measure constructs that are not related (Baumgartner *et al*. 2016:126; Bearden, Netemeyer & Haws 2011:8). Thus discriminant validity reflects the extent to which
scores of a test do not show a relationship with scores from tests intended to measure different constructs (Cooper & Schindler 2014:256–259; Struwig & Stead 2013:150).

For the purpose of this study, construct validity was used to assess the validity of the scales consisting of multiple items (ordinal scales), whereas content validity was used to assess the sections of the measuring instrument posing dichotomous questions.

(b) Measuring validity

Validity is often assessed using factor analysis. Watson and Flamez (2015:99) explain that a factor analysis is used to indicate how well items mathematically group together, thereby specifying the similarity and measuring of a shared construct. Hair et al. (2013:94), together with Williams, Onsman and Brown (2012:2), note that factor analysis has three purposes: first it is used to reduce a large number of variables into a smaller set of factors, with a minimum loss of information by means of data reduction. Second, it establishes fundamental dimensions between measured variables and supressed constructs, enabling the realisation of theory. Third, factor analysis is used to provide construct validity to measuring scales (Williams et al. 2012:2). In addition, Hair et al. (2013:92) explains that researchers use factor analysis to analyse interrelationships among a large number of variables. Factor analyses were used to test for unidimensionality among the variables of the first and second models (Customer service differentiation, Product differentiation, Promotion of family business, Family business image, Stakeholder perception, and Perceived financial performance).

De Bussy (2010:133) as well as Lui (2010:57) define unidimensionality as the existence of one latent construct underlying a set of items, which is vital to the measurement of theory. In other words, unidimensionality implies that the scale is only assessing one attribute or subject (Sahu 2013:43). In testing the unidimensionality of the aforementioned variables, the principal component analysis was specified as the method of factor extraction. Bakar et al. (2015:154) state that factor loadings above 0.5 are acceptable when testing for unidimensionality. For the purpose of this study factor loadings above 0.5 were deemed acceptable.

In order to assess the validity of the dichotomous questions, content validity was utilised. The researcher, together with two experts in the field of marketing and family businesses discussed
the content of the items measuring the dichotomous constructs *Marketing function* and *Branding of the family name*. After reviewing the items measuring *Marketing function* and *Branding of the family name*, the experts agreed that the items are representative of the theoretical construct being measured.

5.8.2 Reliability of the measuring instrument

According to several sources (Adams & Lawrence 2015:70; Collis & Hussey 2014:52; Phillips & Gully 2012:210) reliability refers to the consistency and accuracy with which a measure assesses a particular variable. Therefore a measuring instrument is considered to be reliable when it is applied multiple times and consistently yields the same result. Bayens and Roberson (2011:85) indicate that reliability shadows validity. Thus, if research findings are valid, they are regarded as reliable; however research findings that are reliable, are not necessarily valid. Bryman and Bell (2015:36) state that there are three different estimates of reliability, these being stability, inter-observer consistency, and internal reliability.

The stability estimate, as suggested by the name, is concerned with ensuring that the results of a measurement is stable over a period of time, implying that the results should not change if the test is performed multiple times (Barker, Pistrang & Elliot 2016:61; Cooper & Schindler 2014:260). The stability estimate of reliability is often tested using the test-retest method, whereby a test is administered more than once, over a period of time (Bryman & Bell 2015:36; Quinlan et al. 2015:114). The inter-observer consistency, also referred to as equivalence, is concerned with the variation that arises as a result of multiple observers being involved in the recording of observations, which may lead to inconsistencies in the recording of data (Cooper & Schindler 2014:261; Bryman & Bell 2015:36). According to Cooper and Schindler (2014:261) the equivalence of measurements by different observers can be tested by comparing the different scores of observers relating to the same event.

Internal consistency focuses on assessing whether the items in a scale measure the same construct. Thus internal consistency signifies a measure’s homogeneity (Barker et al. 2016:61; Quinlan et al. 2015:113). The importance of internal consistency stems from the fact that items used to measure a given construct have to relate to one another, otherwise some of the items may actually be measuring an unrelated concept (Bryman & Bell 2015:37). Cooper and
Schindler (2014:261) explain that if items are highly correlated, it implies high internal reliability.

The internal consistency of a Likert-type measuring instrument can be tested by calculating the Cronbach’s alpha coefficients. Cronbach’s alpha coefficient is used to calculate the correlation of each item with the sum of all the other items (Bryman & Bell 2015:38; Tavakol & Dennick 2011:53). Cooper and Schindler (2014:260) indicate that Cronbach’s alpha measures the extent to which the items of instruments are the same. Zikmund et al. (2013:302) demonstrate that a coefficient of more 0.7 suggests good reliability, whereas coefficients between 0.6 and 0.7 reflect fair reliability, and coefficients less than 0.6 are considered unreliable. For the purpose of this study, the reliability of the ordinal scales were tested using Cronbach’s alpha coefficients, where coefficients greater than 0.7 were considered acceptable.

As mentioned in section 5.7.2.5, the measuring instrument also included two sections of dichotomous questions. Aamodt (2016:205), and Salkind (2010:1239), state that the Kuder-Richardson Formula 20 (K-R 20) is the most commonly used reliability test when dealing with yes/no questions. According to Mangal and Mangal (2013:572), Kuder-Richardson values of 0.5 and higher are satisfactory for dichotomous measuring instruments with fewer than 15 items. For the purpose of this study, the reliability of the dichotomous questions were assessed using the Kuder-Richardson Formula 20 (K-R 20), and as the dichotomous section included fewer than 15 items, a KR value greater than 0.5 was deemed reliable.

5.8.3 Descriptive statistics

According to Crossman (2015) descriptive statistics involve statistical procedures that are used to describe the sample being studied. Descriptive statistics are used by researchers to summarise and organise the research findings in a meaningful manner (Privetera 2012:3). Houser (2015:32) states that there are mainly two types of descriptive statistics, namely measures of central tendency and variability. Measures of central tendency enable researchers to describe the sample under investigation using only a single value that signifies the average value of a particular data set (Andrew, Pedersen & McEvoy 2011:58).
The mean, median and mode are the most commonly used measures of central tendency, where the calculated mean score is indicative of the average score (Houser 2015:32). On the other hand, the median denotes the middle score of the frequency distribution, that separates the upper and the lower half of scores within the distribution, and the mode denote the most commonly observed value (Andrew et al. 2011:58; DeFusco, McLeavey, Pinto & Runkle 2015:86). According to Andrew et al. (2011:58) measures of variability indicate how the scores are dispersed around the mean score. Phillips and Gully (2012:202) state that the two most commonly used measures of dispersion are standard deviation and range. The standard deviation indicates the difference between each observation and the mean score, and is calculated as the positive square root of the variance (Baesens, Van Vlasselaer & Verbeke 2015:51). The range is obtained by calculating the difference between the highest and lowest observed value (Houser 2015:32).

In this study, descriptive statistics (both measures of central tendency and variability) were used to calculate the mean score, the standard deviation, as well as the frequency distributions for the responses provided for the ordinal scales. On the other hand, for the dichotomous questions, only frequency distributions were calculated to summarise respondent’s answers (Yes=1 and No=2), as the questions were descriptive in nature.

5.8.4 Inferential statistics

Crossman (2015) indicates that inferential statistics are focused on making predictions about the wider population from observations of a sample. Privetera (2012:4) concurs by stating that inferential statistics are used by researchers to generalise findings gathered from a sample to the wider population. Several inferential statistical techniques were used in the study, namely Pearson’s product moment correlation coefficient, regression analyses (both single and multiple) and analysis of variance. Inferential statistics were undertaken on the ordinal scale only.

(a) Pearson’s product moment correlation coefficient

Pearson’s product moment correlation coefficient, also known as Pearson coefficient of correlation is an inferential statistical technique used by researchers to measure the strength and
direction of a linear association between two quantitative variables (Collis & Hussey 2014:270; Freund et al. 2010:354; Johnson & Christensen 2014:44; Neelankavil 2015:334). Pearson’s product moment correlation coefficient is denoted as $r$, and the symbol is used to indicate the relationship between two variables. Thus, it measures how much the independent variable clarifies the change in the dependent variable (Neelankavil 2015:334).

The coefficient of $r$ varies between -1 and +1, where the latter is suggestive of a perfect direct relationship, and -1 reflects a perfect inverse relationship. The value 0 indicates that no relationship exists between the variables (Collis & Hussey 2014:270; Freund et al. 2010:354; Neelankavil 2015:334). Jackson (2017:327) indicates that the sign (+ or -) in front of the correlation is used to indicate the direction of the relationship. Several authors (Bernstein 2014:26; Petty, Laxer, Lindsley & Wedderburn 2016:74) state that the positive sign implies that the two variables are directly related (the values of two variables increase or decrease together), whereas the negative sign is suggestive of an inverse relationship (the value of one variable increases as the other decreases, and vice versa).

Choudhury (2009) provides the following guidelines for interpreting the strength of relationships: -1.0 to -0.5 reflects a strong inverse relationship, -0.5 to -0.3 suggests a moderate inverse relationship, -0.3 to -0.1, is indicative of a weak inverse relationship, and -0.1 to +0.1 signifies a very weak inverse relationship. In addition, the positive correlations are interpreted as follows: +0.1 to +0.3 suggests a weak direct relationship, +0.3 to +0.5 reflects a moderate direct relationship, and +0.5 to +1.0 indicates a strong direct relationship (Choudhury 2009).

In this study, Pearson’s product moment correlations were undertaken to establish the relationships between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception) themselves and between the independent variables and the dependent variable, Perceived financial performance.

(b) Single and multiple regression analysis

A single regression analysis aims to determine the nature of the linear relationship between one dependent variable and one independent variable. Thus, as suggested by the name, MRA aims
to determine the nature of the linear relationship between one dependent variable, and multiple independent variables (Collis & Hussey 2014:282; Jackson 2015:334). Phillips and Gully (2012:209) explain that MRA is a valuable statistical technique used by researchers to forecast an outcome using predictor variables. Rubin (2010:231) notes that MRA is used by researchers in order to identify which variable has the greatest influence on another variable.

Hair et al. (2013:157) indicate that MRA results in the estimation of the regression coefficient \( b \), which specifies the type of relationship, together with the strength of the relationship between numerous independent variables and one dependent variable. Le Roy (2013:246), together with Nathans, Oswald and Nimon (2012:2) indicate that a Beta-coefficient \( \beta \), is calculated for each variable within the hypothesised models, whereby beta weights indicate differences in a standardised dependent variable, resulting from one standard deviation change in the related predictor variable, when all other independent variables are held constant. In other words, Beta-coefficients specify the strength of the relationship between a dependent variable and an independent variable, articulated in one standard deviation (Le Roy 2013:246). Rubin and Babbie (2011:559) state that the greater the value of beta, the greater the effect a variable has in clarifying the difference in the dependent variable. As mentioned earlier, the multiple correlation coefficient (denoted as \( r \)) is calculated to determine the extent to which the independent variables predict the dependent variable, whereas the coefficient of determination \( (R^2) \) is used to assess the extent to which the independent variables explain the variance in the dependent variable (Cichosz 2015:300; Hair et al. 2013:353; Hanneman, Kposowa & Riddle 2013:440).

In this study, an MRA was undertaken to determine the influence of the independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) on the dependent variable, Perceived financial performance. In addition, a single regression analyses were also performed to determine Stakeholder perception’s influence on the use of family in Promotion of family business, as well as Family business image.
Despite the main focus of the study being to investigate the influence of selected marketing and branding practices on *Perceived financial performance* in family SMEs, the influence of selected demographic variables (*Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business*) on the selected marketing and branding practices adopted in family SMEs were also assessed using ANOVA. For the purpose of this analysis, *Customer service differentiation, Product differentiation, Promotion of family business, Family business image* and *Stakeholder perception* served as the dependent variables and the various demographic variables served as the independent variables.

De Muth (2014:205) indicates that ANOVA is a statistical technique used by researchers to identify variation within a data set. In other words, ANOVA is used to identify differences within a sample. According to Gravetter and Wallnau (2014:394) ANOVA is the preferred hypothesis-testing method for evaluating mean differences, since it enables researchers to assess the significance of mean differences when comparing the means of three or more samples. Therefore the results of ANOVA indicate whether one group is statistically different from another group (Rubin 2013:187; Salkind 2010:786). ANOVA is most commonly used to test null-hypotheses, using the F-ratio test. When the null hypothesis (refer to section 1.5.3) is true, the F-value is close to 1, and there will be no significant differences between the means of the population (Albright & Winston 2016:942; Rubin 2013:187).

However, Rubin (2013:187) states that if the results of ANOVA reveal that there are significant differences in population means (F-value is greater than 1), a post-hoc Scheffé test needs to be done in order to identify where the significant differences are. The post-hoc Scheffé test is able to ensure that the probability of committing a Type I error is 0.5, independent of how many tests are performed (Privitera 2015:374). Zikmund *et al.* (2013:514) state that researchers commit a Type I error when they reject the null hypothesis, in cases where it is actually true.

A post-hoc Sheffé test will be performed in order to identify any significant differences between the means of the different categories within each demographic variable (Gravetter & Wallnau 2009:392–476). In addition, if the post-hoc Sheffé test revealed any significant differences, eta-
squared will be calculated to assess whether these differences are of practical significance. According to Salkind (2010:423), eta-squared (denoted as $\eta^2$) is commonly used to “quantify the percentage of variance in the dependent variable that is explained by one or more independent variables”. Eta-squared values of smaller and equal to 0.035 reflect a small practical significance; values of greater than 0.035 but less than or equal to 1 reflect a medium practical significance; and values of greater than 1 reflect a large practical significance (Gravetter & Wallnau 2009:392–476; Salkind 2010:423).

5.9 SUMMARY

In this chapter, an overview of research design and methodology for the study was presented. A comprehensive definition of research and research design was provided. The research methodology was elaborated on with a specific focus on the positivistic and interpretivistic research paradigms as well as the corresponding quantitative and qualitative methodologies. Thereafter, the research approaches, as well as the research methods associated with both quantitative and qualitative research were elaborated on. Subsequently the secondary research was described and thereafter the primary research was elaborated on in more detail. In the primary data collection section, the population, sampling frame and the various sampling techniques available, were discussed. The sample size required for this study was justified and elaborated on. The measuring instrument was described and the items and sources of these items were summarised. In addition, the independent and the dependent variables were operationalised and the administration of the questionnaires was described.

The various statistical techniques employed in this study were described in detail. The methods used to assess the validity and reliability of the measuring instrument were described as well as the descriptive and inferential statistics undertaken. The inferential statistics undertaken, namely Pearson’s product moment correlations, regression analyses (both single and multiple regression analyses) and ANOVA were described in detail. In the following chapter, the empirical results resulting from the statistical analyses will be presented.
CHAPTER 6

EMPIRICAL RESULTS

6.1 INTRODUCTION

In Chapter 5 the research design and methodology used to achieve the primary and secondary objectives of this study were presented, and in doing so, the research paradigm and approach, as well as the data collection methods used were elaborated on. More specifically, the secondary and primary data collection methods were described and their use motivated. In Chapter 6 the results of the statistical analysis done on the data collected from 325 Eastern Cape family SMEs will be presented. Chapter 6 will commence by providing a summary of the demographic details of the respondents who participated in the study. This will be followed by the results of the validity and reliability assessments. Based on these results, the hypothesised models proposed in Chapter 1 (see Figures 1.1 and 1.2) are revised and the hypotheses are reformulated.

Descriptive statistics such as the mean, standard deviation and frequency distributions were calculated; the sampled data is summarised in a table format. Thereafter the results of the Pearson’s product moment correlations will be presented, and a discussion of the relationships between the variables will follow. Additionally, the results of the multiple regression analyses, which were used to determine the influence of selected marketing and branding practices on Perceived financial performance among family SMEs are presented. In addition, the results of the single regression analyses, which were used to determine the influence of Stakeholder perception on the use of “family” in selected marketing and branding practices (Promotion of family business and Family business image), will also be presented.

This chapter concludes by discussing the results of ANOVA, which were undertaken to determine whether relationships exist between selected demographic variables, and the selected marketing and branding practices adopted by family SMEs.
6.2 DEMOGRAPHIC INFORMATION

Section A of the questionnaire required respondents to complete eight questions relating to their demographic information and that of their family business. Table 6.1 provides a summary of the demographic information pertaining to respondents, while Table 6.2 provides a summary of the demographic information relating to the family businesses. The summarised information will be discussed in the paragraphs that follow.

Table 6.1: Demographic profile of respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>250</td>
<td>79.92</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>75</td>
<td>23.08</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Age</td>
<td>20 - 29 years</td>
<td>32</td>
<td>9.85</td>
</tr>
<tr>
<td></td>
<td>30 - 39 years</td>
<td>62</td>
<td>19.08</td>
</tr>
<tr>
<td></td>
<td>40 - 49 years</td>
<td>98</td>
<td>30.15</td>
</tr>
<tr>
<td></td>
<td>50 - 59 years</td>
<td>95</td>
<td>29.23</td>
</tr>
<tr>
<td></td>
<td>&gt; 60 years</td>
<td>38</td>
<td>11.69</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Ethnic affiliation</td>
<td>Asian</td>
<td>34</td>
<td>10.46</td>
</tr>
<tr>
<td></td>
<td>Black</td>
<td>59</td>
<td>18.15</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>40</td>
<td>12.31</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>185</td>
<td>56.92</td>
</tr>
<tr>
<td></td>
<td>Not willing to say</td>
<td>7</td>
<td>2.16</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Tertiary qualifications</td>
<td>Yes</td>
<td>230</td>
<td>70.77</td>
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<tr>
<td></td>
<td>No</td>
<td>95</td>
<td>29.23</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Tenure (Length of ownership)</td>
<td>1 - 5 years</td>
<td>81</td>
<td>24.92</td>
</tr>
<tr>
<td></td>
<td>6 - 10 years</td>
<td>74</td>
<td>22.77</td>
</tr>
<tr>
<td></td>
<td>11 - 15 years</td>
<td>59</td>
<td>18.15</td>
</tr>
<tr>
<td></td>
<td>16 - 20 years</td>
<td>52</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td>21 + years</td>
<td>59</td>
<td>18.16</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
</tbody>
</table>

From Table 6.1 it is evident that majority of respondents who participated in this study were male (79.92%), with 23.08 per cent being female. With regard to the age of the respondents, majority were between the ages of 40 to 49 (30.15%), followed by the group of 50 to 59 years...
(29.23%), and 30 to 39 years (19.08%) respectively, while only 9.85 per cent of respondents were between the ages of 20 and 29 years. In terms of the ethnic affiliation of respondents, the majority of respondents were White (56.92%), followed by Black (18.15%), Coloured (12.31%), and Asian (10.46%) respondents. Only 2.16 per cent of respondents were not willing to reveal their ethnicity. Of the 325 family business owners who participated in this study, 230 (70.77%) indicated that they possessed a tertiary qualification, while 29.23 per cent of the respondents did not. Most of the respondents (47.69%) indicated that they had been the owner of the family business for between 1 and 10 years, and only 16 per cent were the owners for between 16 and 20 years.

Table 6.2: Demographic information relating to the family business

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation that owns the family business</td>
<td>First generation</td>
<td>184</td>
<td>56.62</td>
</tr>
<tr>
<td></td>
<td>Second generation</td>
<td>106</td>
<td>32.62</td>
</tr>
<tr>
<td></td>
<td>Third generation and older</td>
<td>35</td>
<td>10.76</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Number of employees in the family business</td>
<td>&lt; 11</td>
<td>152</td>
<td>46.77</td>
</tr>
<tr>
<td></td>
<td>11 - 20</td>
<td>63</td>
<td>19.38</td>
</tr>
<tr>
<td></td>
<td>21 - 30</td>
<td>36</td>
<td>11.08</td>
</tr>
<tr>
<td></td>
<td>31 - 40</td>
<td>22</td>
<td>6.77</td>
</tr>
<tr>
<td></td>
<td>41 - 50</td>
<td>13</td>
<td>4.00</td>
</tr>
<tr>
<td></td>
<td>&gt; 51</td>
<td>39</td>
<td>12.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
<tr>
<td>Nature of the family business</td>
<td>Retailer and/or wholesaler</td>
<td>104</td>
<td>32.00</td>
</tr>
<tr>
<td></td>
<td>Manufacturer</td>
<td>38</td>
<td>11.69</td>
</tr>
<tr>
<td></td>
<td>Service industry</td>
<td>141</td>
<td>43.39</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>42</td>
<td>12.92</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>325</td>
<td>100.00</td>
</tr>
</tbody>
</table>

From Table 6.2 it can be seen that the majority of family businesses that participated in this study were owned by first generation family members (56.62%). Additionally, the smallest percentage of family businesses was owned by the third generation or older (10.76%). Most of the family businesses in this study employed fewer than 10 employees (46.77%), and between 11 and 20 employees (19.38%), while very few (4.00%) employed between 41 and 50 employees. The most prominent industries for the family businesses participating in this study were the service (43.39%) and retailer and/or wholesaler (32.00%) industries. The remaining
family businesses operated in the manufacturing (11.69%) or other (12.92%) industries that were not specified.

6.3 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSES

As mentioned in section 5.8.1, validity refers to how well a measuring instrument measures a given variable and the extent to which it enables the researcher to make assumptions based on the findings. In other words, a measuring instrument is valid if it measures what it was supposed to measure (Phillips & Gully 2012:215). In assessing the validity of the scales measuring the independent variables of both models (Customer service differentiation, Product differentiation, Promotion of family business, Family business image and Stakeholder perception) and the dependent variable of Model 1, namely Perceived financial performance, tests for unidimensionality using factor analyses were undertaken on the ordinal scales (Likert scales).

Tests for unidimensionality using factor analyses were considered more appropriate than an exploratory factor analyses, since the constructs under investigation in this study (Customer service differentiation, Product differentiation, Promotion of family business, Family business image, Stakeholder perception, and Perceived financial performance) have previously been used in several studies (Craig et al. 2008:358; Flören et al. 2015:105; Matchaba-Hove 2013:68; Zellweger et al. 2012:248). In testing the unidimensionality of the aforementioned variables, principal component analysis was specified as the method of factor extraction. Bakar et al. (2015:154) state that factor loadings above 0.5 are acceptable when testing for unidimensionality. Therefore factor loadings above 0.5 were deemed significant for assessing the validity of the ordinal scales. The validity for the dichotomous questions on the other hand, was assessed by an expert panel.

Reliability refers to the consistency and accuracy with which a measure assesses a particular variable (Collis & Hussey 2014:52; Phillips & Gully 2012:210). Therefore a measuring instrument is considered to be reliable when it is applied multiple times and consistently yields the same result. In this study, the reliability of the measuring instrument was tested using Cronbach’s alpha coefficients. Zikmund et al. (2013:302) indicate that a coefficient of more than 0.7 suggests good reliability. Thus, Cronbach’s alpha coefficients greater than 0.7 were
considered significant. The reliability of the dichotomous questions were assessed using the Kuder-Richardson Formula 20 (K-R 20), where KR-values higher than 0.5 were deemed reliable (Mangal & Mangal 2013:572). The results of the validity and reliability assessments for the ordinal scales are presented below.

6.3.1 Validity and reliability results: Ordinal scales

In the following section, the results of the validity and reliability assessments of the ordinal scales (measuring both the independent and dependent variables) are presented.

6.3.1.1 Customer service differentiation

From Table 6.3 it can be seen that all of the items originally intended to measure the Customer service differentiation competitive orientation loaded as expected (CSD5, CSD1, CSD3, CSD4 and CSD2) and this factor explains 36.45 per cent of the variance in the data. The factor loadings reported for Customer service differentiation ranged from -0.693 to -0.554, which was greater the 0.5 cut-off point. However, a Cronbach’s coefficient of 0.548 was reported for this factor, which is lower than the 0.7 cut-off point. Thus there is not sufficient evidence of reliability for the scale measuring Customer service differentiation, resulting in this factor not being considered for further statistical analyses. Table 6.3 summarises the validity and reliability results for Customer service differentiation.

Table 6.3: Validity and reliability of Customer service differentiation

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Variance: 36.45</th>
<th>Cronbach’s alpha: 0.548</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Our family business distinguishes itself from other businesses by</td>
<td>Factor loading</td>
</tr>
<tr>
<td>CSD5</td>
<td>Higher quality standards than competitors.</td>
<td>-0.554</td>
</tr>
<tr>
<td>CSD1</td>
<td>Tight control of selling/general/administrative expenses.</td>
<td>-0.556</td>
</tr>
<tr>
<td>CSD3</td>
<td>Innovation in marketing techniques.</td>
<td>-0.594</td>
</tr>
<tr>
<td>CSD4</td>
<td>Quick delivery and immediate response to customer orders.</td>
<td>-0.611</td>
</tr>
<tr>
<td>CSD2</td>
<td>Customer service (including after sales support).</td>
<td>-0.693</td>
</tr>
</tbody>
</table>
6.3.1.2 Product differentiation

Table 6.4 illustrates that all five of the items (PD5, PD1, PD4, PD2 and PD3) intended to measure the *Product differentiation* competitive orientation loaded together as expected. *Product differentiation* explains 51.00 per cent of the variance in the data and factor loadings of between -0.770 to -0.594 were reported. Sufficient evidence of validity for this scale is provided. The Cronbach’s alpha coefficient returned for this factor was 0.755, which is greater than the 0.7 cut-off point, indicating that the scale measuring this factor is reliable. For the purpose of this study, a *Product differentiation* competitive orientation refers to the family business distinguishing itself from other businesses by emphasising products and/or services for high price market segments, developing and/or selling new products and/or services, investing in research and development facilities to develop and sell speciality products and/or services, as well as upgrading existing products’ appearance and performance. In Table 6.4 the validity and reliability results for *Product differentiation* are summarised.

<table>
<thead>
<tr>
<th>Item</th>
<th>Our family business distinguishes itself from other businesses by</th>
<th>Factor loading</th>
<th>Item-total correl.</th>
<th>CA after deletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD5</td>
<td>Emphasising products and/or services for high price market segments.</td>
<td>-0.594</td>
<td>0.415</td>
<td>0.750</td>
</tr>
<tr>
<td>PD1</td>
<td>Developing/selling new products and/or services.</td>
<td>-0.729</td>
<td>0.528</td>
<td>0.710</td>
</tr>
<tr>
<td>PD4</td>
<td>Investing in new R&amp;D facilities to gain a competitive advantage.</td>
<td>-0.733</td>
<td>0.552</td>
<td>0.701</td>
</tr>
<tr>
<td>PD2</td>
<td>Developing/selling specialty products and/or services.</td>
<td>-0.733</td>
<td>0.542</td>
<td>0.705</td>
</tr>
<tr>
<td>PD3</td>
<td>Upgrading existing products’ appearance and performance.</td>
<td>-0.770</td>
<td>0.586</td>
<td>0.689</td>
</tr>
</tbody>
</table>

6.3.1.3 Promotion of family business

From Table 6.5 it can be seen that all four of the items (PROMFB1, PROMFB3, PROMFB4 and PROMFB2) intended to measure *Promotion of family business* loaded as expected. *Promotion of family business* explains 70.01 per cent of the variance in the data. Furthermore, the factor loadings for *Promotion of family business* ranged between -0.871 and -0.812 thereby exceeding the lower limit of 0.5. The Cronbach’s alpha coefficient returned for this factor was 0.858 which is greater than the 0.7 cut-off point. Based on the results of the test for
unidimensionality and the Cronbach’s alpha coefficient, sufficient evidence is provided that the items measuring *Promotion of family business* are both valid and reliable. For the purpose of this study *Promotion of family business* refers to the family business being promoted as a family business to suppliers, potential employees, financiers and customers. Table 6.5 illustrates the summary of the validity and reliability results for *Promotion of family business*.

**Table 6.5: Validity and reliability of Promotion of family business**

<table>
<thead>
<tr>
<th>% of Variance: 70.01</th>
<th>Cronbach’s alpha: 0.858</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Promotion of family business</td>
</tr>
<tr>
<td>PROMFB1</td>
<td>The business is promoted as a family business to suppliers.</td>
</tr>
<tr>
<td>PROMFB3</td>
<td>The business is promoted as a family business to potential employees.</td>
</tr>
<tr>
<td>PROMFB4</td>
<td>The business is promoted as a family business to financiers.</td>
</tr>
<tr>
<td>PROMFB2</td>
<td>The business is promoted as a family business to customers.</td>
</tr>
</tbody>
</table>

### 6.3.1.4 Family business image

It can be seen in Table 6.6 that all the items (FBIMAGE3, FBIMAGE4, FBIMAGE6, FBIMAGE1, FBIMAGE5, FBIMAGE7 and FBIMAGE2) intended to measure *Family business image* loaded together as expected, and this factor explains 54.81 per cent of the variance in the data. Furthermore, it can be seen that the factor loadings range from -0.815 to -0.601. *Family business image* returned a Cronbach’s alpha coefficient of 0.859, which is greater than the 0.7 cut-off point. Based on the factor loadings and the Cronbach’s alpha coefficient reported, sufficient evidence of validity and reliability was provided for this construct. In this study, *Family business image* refers to the family business using its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material. A summary of the validity and reliability results for *Family business image* is provided in Table 6.6.
Table 6.6: Validity and reliability of Family business image

<table>
<thead>
<tr>
<th>Item</th>
<th>Family business image</th>
<th>Factor loading</th>
<th>Item-total correl.</th>
<th>CA after deletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBIMAGE3</td>
<td>The family business name is recognised in the community.</td>
<td>-0.601</td>
<td>0.490</td>
<td>0.857</td>
</tr>
<tr>
<td>FBIMAGE4</td>
<td>The family name is used as a brand when doing business.</td>
<td>-0.672</td>
<td>0.562</td>
<td>0.850</td>
</tr>
<tr>
<td>FBIMAGE6</td>
<td>Most customers know that this is a family business.</td>
<td>-0.697</td>
<td>0.584</td>
<td>0.845</td>
</tr>
<tr>
<td>FBIMAGE1</td>
<td>The fact that the business is a family business is included in advertising material (e.g. letterhead, website, vehicle signage).</td>
<td>-0.770</td>
<td>0.660</td>
<td>0.833</td>
</tr>
<tr>
<td>FBIMAGE5</td>
<td>In advertisements, it is mentioned that the business is a family business.</td>
<td>-0.788</td>
<td>0.679</td>
<td>0.831</td>
</tr>
<tr>
<td>FBIMAGE7</td>
<td>The fact that the business is a family business is a great marketing tool.</td>
<td>-0.813</td>
<td>0.706</td>
<td>0.827</td>
</tr>
<tr>
<td>FBIMAGE2</td>
<td>The marketing strategy of the business is based on the fact that the business is a family business.</td>
<td>-0.815</td>
<td>0.715</td>
<td>0.826</td>
</tr>
</tbody>
</table>

6.3.1.5 Stakeholder perception

From Table 6.7 it can be seen that the four items (SHPERC2, SHPERC4, SHPERC1 and SHPERC3) intended to measure Stakeholder perception all loaded together as expected, and met the 0.5 cut-off point. In addition, Stakeholder perception explains 71.68 per cent of the variance in the data, and the factor loadings reported ranged from -0.897 to -0.813. The Cronbach’s alpha coefficient returned for this factor was 0.868, which met the 0.7 cut-off point. Based on the factor loadings and Cronbach’s alpha coefficient illustrated in Table 6.7, it can be said that the scale measuring this factor is both valid and reliable. For the purpose of this study, Stakeholder perception refers to the family business owners perceiving that their employees, financiers, customers and suppliers think it is important that they are a family business. Table 6.7 summarises the validity and reliability results for Stakeholder perception.

Table 6.7: Validity and reliability of Stakeholder perception

<table>
<thead>
<tr>
<th>Item</th>
<th>Stakeholder perception</th>
<th>Factor loading</th>
<th>Item-total correl.</th>
<th>CA after deletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHPERC2</td>
<td>Our employees think it is important that we are a family business.</td>
<td>-0.813</td>
<td>0.672</td>
<td>0.849</td>
</tr>
<tr>
<td>SHPERC4</td>
<td>Our financiers think it is important that we are a family business.</td>
<td>-0.824</td>
<td>0.683</td>
<td>0.845</td>
</tr>
</tbody>
</table>
6.3.1.6 Perceived financial performance

Of the six items originally intended to measure the construct *Perceived financial performance*, only five items loaded as expected (FINPERF2, FINPERF6, FINPERF3, FINPERF4 and FINPERF5). The factor loadings reported for *Perceived financial performance* ranged from -0.887 to -0.822, which exceeds the 0.5 cut-off point, thereby providing sufficient evidence of validity. *Perceived financial performance* explains 62.80 per cent of the variance in the data, and a Cronbach’s alpha coefficient of 0.903 is reported. These results indicate that the scale measuring this factor is valid and reliable. Based on the results of the factor analyses, *Perceived financial performance* refers to the family business being financially secure, experiencing growth in turnover and profits over the last two years, as well as being financially successful and profitable. Table 6.8 provides a summary of the validity and reliability results for *Perceived financial performance*.

**Table 6.8:** Validity and reliability of Perceived financial performance

<table>
<thead>
<tr>
<th>Item</th>
<th>Perceived business performance</th>
<th>% of Variance: 62.80</th>
<th>Cronbach’s alpha: 0.903</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINPERF2</td>
<td>The financial well-being of my family business is secure.</td>
<td>-0.822</td>
<td>0.729</td>
</tr>
<tr>
<td>FINPERF6</td>
<td>My family business has experienced growth in turnover over the past two years.</td>
<td>-0.832</td>
<td>0.729</td>
</tr>
<tr>
<td>FINPERF3</td>
<td>My family business has experienced growth in profits over the past two years.</td>
<td>-0.834</td>
<td>0.730</td>
</tr>
<tr>
<td>FINPERF4</td>
<td>I regard my family business as being financially successful.</td>
<td>-0.873</td>
<td>0.809</td>
</tr>
<tr>
<td>FINPERF5</td>
<td>My family business is profitable.</td>
<td>-0.887</td>
<td>0.822</td>
</tr>
</tbody>
</table>

6.3.2 Validity and reliability results: Dichotomous questions

In the following section the results of the validity and reliability assessments of the dichotomous questions are presented.
6.3.2.1 Marketing function

The items measuring the *Marketing function* (see Table 6.9) were validated by the researcher and two experts in the field of marketing and family businesses. The experts collectively agreed that the items are representative of the theoretical construct being measured, thereby validating the scale. The reliability of the seven items was assessed using the Kuder-Richardson Formula 20 (K-R 20). The Kuder-Richardson value returned for the scale was 0.308, which indicates that the items measuring *Marketing function* are not reliable, since it does not exceed the 0.5 cut-off point (Mangal & Mangal 2013:572). However, given that the dichotomous questions are for descriptive reporting only and that the scale has been used in previous research (Flören et al. 2015), the scale will be used for further statistical analysis.

Table 6.9: Items and Reliability of Marketing function scale

<table>
<thead>
<tr>
<th>Kuder-Richardson value: 0.308</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>MARK1</td>
</tr>
<tr>
<td>MARK2</td>
</tr>
<tr>
<td>MARK3</td>
</tr>
<tr>
<td>MARK4</td>
</tr>
<tr>
<td>MARK5</td>
</tr>
<tr>
<td>MARK6</td>
</tr>
<tr>
<td>MARK7</td>
</tr>
</tbody>
</table>

6.3.2.2 Branding of the family name

As was the case with the scale measuring the *Marketing function*, the items measuring *Branding of the family name* are presented in Table 6.10. These items were also validated by the researcher, and an expert panel in the field of marketing and family businesses. *Branding of the family name* returned a Kuder-Richardson value of 0.773, which exceeds the 0.5 cut-off point. Thus sufficient evidence of validity and reliability was provided for the scale measuring *Branding of the family name*. 
Table 6.10: Items and Reliability of Branding of the family name scale

<table>
<thead>
<tr>
<th>Item</th>
<th>Branding of the family name</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMB1</td>
<td>Does the family name (surname) appear in the name of the family business?</td>
</tr>
<tr>
<td>FAMB2</td>
<td>Does the family name (surname) appear on the brands of the family business?</td>
</tr>
<tr>
<td>FAMB3</td>
<td>Does the family name (surname) or other family-related elements appear in the logo of the family business?</td>
</tr>
<tr>
<td>FAMB4</td>
<td>Does the history of the family business appear on the website of the family business?</td>
</tr>
<tr>
<td>FAMB5</td>
<td>Does the family name (surname) appear on the advertising material of the family business?</td>
</tr>
</tbody>
</table>

**Kuder-Richardson value: 0.773**

---

6.4 REVISED HYPOTHESESED MODELS AND HYPOTHESES

Based on the results of the factor analyses, the operationalisation of the dependent and independent variables were reformulated and are presented in Table 6.11.

Table 6.11: Reformulated operational definitions

<table>
<thead>
<tr>
<th>Factor</th>
<th>Operationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation</td>
<td><em>Product differentiation</em> refers to the family business distinguishing itself from other businesses by emphasising products and/or services for high price market segments, developing/selling new products and/or services, investing in research and development facilities to develop and sell speciality products and/or services, as well as upgrading existing products’ appearance and performance.</td>
</tr>
<tr>
<td>Promotion of family business</td>
<td><em>Promotion of family business</em> refers to the family business being promoted as a family business to suppliers, potential employees, financiers and customers.</td>
</tr>
<tr>
<td>Family Business image</td>
<td><em>Family business image</em> refers to the family business using its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material.</td>
</tr>
<tr>
<td>Perceived business performance</td>
<td><em>Perceived financial performance</em> refers to the family business being financially secure, experiencing growth in turnover and profits over the last two years, as well as being financially successful and profitable.</td>
</tr>
<tr>
<td>Stakeholder perception</td>
<td><em>Stakeholder perception</em> refers to the family business owners perceiving that their employees, financiers, customers and suppliers think it is important that they are a family business.</td>
</tr>
</tbody>
</table>

As a result of the reliability assessment, the *Customer service differentiation* competitive orientation was not subjected to empirical testing in this study, since the Cronbach’s alpha coefficient of 0.548 did not exceed the 0.7 cut-off point (Zikmund *et al.* 2013:302). Thus the hypotheses relating to the *Customer service differentiation* were no longer relevant, resulting in the hypotheses being renumbered.
The renumbered hypotheses are as follows:

H¹a: There is a positive relationship between the use of a *Product differentiation* competitive orientation and the *Perceived financial performance* of family SMEs.

H¹b: There is a positive relationship between *Promotion of family business* and the *Perceived financial performance* of family SMEs.

H¹c: There is a positive relationship between *Family business image* and the *Perceived financial performance* of family SMEs.

H²a: There is a positive relationship between *Stakeholder perception* and *Promotion of family business*.

H²b: There is a positive relationship between *Stakeholder perception* and *Family business image*.

In Figures 6.1 and 6.2, summaries of the hypothesised relationships are presented.

**Figure 6.1: Revised hypothesised Model 1: The relationship between selected marketing and branding practices among family SMEs and Perceived financial performance**

![Diagram showing the relationships between Product differentiation, Promotion of family business, Family business image, and Perceived financial performance with hypothesis labels H¹a, H¹b, and H¹c.]
Figure 6.2: Hypothesised Model 2: The relationship between Stakeholder perception and the use of “family” in selected marketing and branding practices among family SMEs

Source: Researcher’s own construction

In order to investigate the influence exerted by selected demographic variables on the dependent variables (Product differentiation, Promotion of family business, Family business image and Stakeholder perception), the null hypotheses from section 1.5.3, were also renumbered as follows:

\( H_{0a}^{1a} \): There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and family SMEs using a Product differentiation competitive orientation.

\( H_{Aa}^{1a} \): There is a relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and family SMEs using a Product differentiation competitive orientation.

\( H_{0b}^{1b} \): There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Promotion of family business.

\( H_{Ab}^{1b} \): There is a relationship between selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Promotion of family business.
H₀¹c: There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Family business image.
Hₐ¹c: There is a relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Family business image.
H₀¹d: There is no relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Stakeholder perception.
Hₐ¹d: There is a relationship between the selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) investigated in this study and Stakeholder perception.

6.5 EMPIRICAL RESULTS

The statistical software program STATISTICA version 13 was used to perform the statistical analyses. The results of the descriptive and inferential statistics are presented in the following sections.

6.5.1 Descriptive statistics

Descriptive statistics relating to the sample were calculated; these included the means, standard deviation, and frequency distributions. Descriptive statistics were calculated for the ordinal scales and for the dichotomous questions.

6.5.1.1 Ordinal scales

In order to clarify and for discussion purposes, the response categories on the five-point Likert scale were categorised as follows: 1 <= x < 2.333 were categorised as disagree; 2.333 <= x < 3.667 as neutral; and 3.667 <= x <= 5.000 were categorised as agree. The descriptive statistics of both the dependent and independent variables are presented in Table 6.12.
Table 6.12: Descriptive statistics for ordinal scales (n=325)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Disagree %</th>
<th>Neutral %</th>
<th>Agree %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation</td>
<td>3.773</td>
<td>0.682</td>
<td>2.154</td>
<td>40.923</td>
<td>56.923</td>
</tr>
<tr>
<td>Promotion of family business</td>
<td>3.462</td>
<td>1.022</td>
<td>14.770</td>
<td>36.620</td>
<td>48.610</td>
</tr>
<tr>
<td>Family business image</td>
<td>3.220</td>
<td>0.885</td>
<td>17.846</td>
<td>49.231</td>
<td>32.923</td>
</tr>
<tr>
<td>Stakeholder perception</td>
<td>3.276</td>
<td>0.934</td>
<td>18.153</td>
<td>46.154</td>
<td>35.693</td>
</tr>
<tr>
<td>Perceived financial performance</td>
<td>4.215</td>
<td>0.633</td>
<td>1.231</td>
<td>15.077</td>
<td>83.692</td>
</tr>
</tbody>
</table>

The independent variable, *Product differentiation* returned the second highest mean score ($\bar{x}$=3.773) with most respondents (56.923%) agreeing with the statements measuring *Product differentiation*. In other words, the majority of respondents agreed that they differentiate their family business by means of emphasising products and/or services for high price market segments, develop/sell new products and/or services, invest in research and development facilities to develop and sell speciality products and/or services, as well as upgrade existing products’ appearance and performance.

*Promotion of family business* returned the third highest mean score ($\bar{x}$=3.462) with most respondents agreeing (48.610%) with the statements measuring this factor. More than one third (36.620%) were, however, neutral with regard to the business being promoted as a family business to suppliers, potential employees, financiers and customers.

Of the four independent variables, *Family business image* returned the lowest mean score ($\bar{x}$=3.220), with nearly half of the respondents being neutral (49.231%) with regard to the statements measuring this factor. Only one third of respondents agreed (32.923%) that their family business used its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material.

*Stakeholder perception* returned the second-lowest mean score ($\bar{x}$=3.276), with most of the respondents being neutral (46.154%) with regard to their employees, financiers, customers and suppliers thinking that it is important that they are a family business.

The dependent variable, *Perceived financial performance* returned the highest mean score ($\bar{x}$=4.215), with the majority of respondents agreeing (83.692%) that their family business is
financially secure, has experienced growth in turnover and profits over the last two years, as well as being financially successful and profitable.

6.5.1.2 Dichotomous questions

The findings of the *Marketing function* (see Table 6.9 for full description of items) and *Branding of the family name* items are presented in Tables 6.13 and 6.14 respectively. The items measuring *Marketing function* and *Branding of the family name* are presented in Tables 6.9 and 6.10.

### Table 6.13: Marketing function

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (N = 325)</th>
<th>No (N = 325)</th>
<th>Missing (N = 325)</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Missing (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARK1</td>
<td>135</td>
<td>189</td>
<td>1</td>
<td>41.539</td>
<td>58.154</td>
<td>0.307</td>
</tr>
<tr>
<td>MARK2</td>
<td>90</td>
<td>235</td>
<td>0</td>
<td>27.692</td>
<td>72.308</td>
<td>0</td>
</tr>
<tr>
<td>MARK3</td>
<td>243</td>
<td>81</td>
<td>1</td>
<td>74.770</td>
<td>24.923</td>
<td>0.307</td>
</tr>
<tr>
<td>MARK4</td>
<td>246</td>
<td>78</td>
<td>1</td>
<td>75.693</td>
<td>24.000</td>
<td>0.307</td>
</tr>
<tr>
<td>MARK5</td>
<td>160</td>
<td>163</td>
<td>2</td>
<td>49.231</td>
<td>50.154</td>
<td>0.615</td>
</tr>
<tr>
<td>MARK6</td>
<td>135</td>
<td>189</td>
<td>1</td>
<td>41.539</td>
<td>58.154</td>
<td>0.307</td>
</tr>
</tbody>
</table>

From Table 6.13 it can be seen that the majority of respondents (58.154%) did not have a written marketing strategy (MARK1) or a separate department that deals with marketing (72.308%) for their family business (MARK2). However, the majority (74.770%) responded positively to the question “Is the person responsible for marketing in your family business the owner or a family member of the owner?” (MARK3). The majority of respondents (75.693%) also indicated that the family has a significant influence on the marketing strategy of the business (MARK4). More or less the same number of respondents were positive (49.231%) and negative (50.154%) about the use of external marketing support for their family business (MARK5). The majority of respondents (58.154%) indicated that the marketing strategy of the family business was not based on the fact that the business is a family business (MARK6).

From Table 6.14 it can be seen that for most respondents (69.538%), the family name (surname) does not appear in the name (FAMB1) or brands (FAMB2) of the family business. Only 97 of respondents (29.846%) indicated that their family name (surname) appears in the logo.
(FAMB3) of the family business. FAMB4 requested respondents to indicate whether or not the history of the family business appears on the website of the family business. The aforementioned question received the most no responses (70.77%). With regard to FAMB5, most respondents (63.38%) indicated that they do not include the family name (surname) in the advertising material of the family business.

Table 6.14: Branding of the family name

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (N=325)</th>
<th>No (N=325)</th>
<th>Missing (N=325)</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Missing (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMB1</td>
<td>99</td>
<td>226</td>
<td>0</td>
<td>30.462</td>
<td>69.538</td>
<td>0</td>
</tr>
<tr>
<td>FAMB2</td>
<td>99</td>
<td>226</td>
<td>0</td>
<td>30.462</td>
<td>69.538</td>
<td>0</td>
</tr>
<tr>
<td>FAMB3</td>
<td>97</td>
<td>228</td>
<td>0</td>
<td>29.846</td>
<td>70.154</td>
<td>0</td>
</tr>
<tr>
<td>FAMB4</td>
<td>94</td>
<td>230</td>
<td>1</td>
<td>28.923</td>
<td>70.770</td>
<td>0.307</td>
</tr>
<tr>
<td>FAMB5</td>
<td>119</td>
<td>206</td>
<td>0</td>
<td>36.615</td>
<td>63.385</td>
<td>0</td>
</tr>
</tbody>
</table>

6.5.2 Inferential statistics

The inferential statistics included calculating Pearson’s product moment correlations, performing both a single and multiple regression analyses, and undertaking ANOVAs.

6.5.2.1 Pearson’s product moment correlations

In order to determine the correlation between the dependent variable (Perceived financial performance) and the selected marketing and branding practices of family SMEs (Product differentiation, Promotion of family business, Family business image, and Stakeholder perception), a Pearson’s product moment correlation coefficients were calculated. The criteria of Choudhury (2009), as described in section 5.8.4, were used to assess the strengths of the various relationships. The correlations between the different variables under investigation in this study, are presented in Table 6.15.
Table 6.15: Pearson’s product moment correlation coefficients

<table>
<thead>
<tr>
<th>Factors</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Product differentiation</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Promotion of family business</td>
<td>0.072</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Family business image</td>
<td>0.088</td>
<td>0.687</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Stakeholder perception</td>
<td>0.082</td>
<td>0.640</td>
<td>0.605</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>5 Perceived financial performance</td>
<td><strong>0.163</strong></td>
<td>0.083</td>
<td><strong>0.115</strong></td>
<td>0.092</td>
<td>1.00</td>
</tr>
</tbody>
</table>

(Bold = p<0.05)

From Table 6.15 it is evident that there is no significant correlation between the factor Product differentiation and the other independent variables in this study. Promotion of family business is, however, significantly (p<0.05) and positively related to both Family business image and Stakeholder perception. A strong positive correlation (Choudbury 2009) was reported between Promotion of family business and Family business image (r=0.687), as well as between Promotion of family business and Stakeholder perception (r=0.640). Furthermore, a significant (p<0.05) strong positive correlation is reported between Family business image and Stakeholder perception (r=0.605).

From Table 6.15 it can also be seen that r-values of between 0.163 and 0.083 were reported for the associations between Perceived financial performance and the various independent variables. Only Product differentiation and Family business image were found to be significantly (p<0.05) and positively correlated with Perceived financial performance. However, the r-values (Product differentiation r=0.163; Family business image r=0.115) reflect weak, but positive correlations (Choudbury 2009).

6.5.2.2 Regression analyses

In this study, three regression analyses were undertaken. First, the multiple regression analyses were undertaken to determine the influence of the independent variables (Product differentiation, Promotion of family business and Family business image) on the dependent variable, Perceived financial performance. Thereafter, two single regression analyses were undertaken to determine the influence of Stakeholder perception on the use of “family” in Promotion of family business, as well as its influence on Family business image. The findings
of the multiple regression and single analyses are presented in Tables 6.16, 6.17, and 6.18 respectively.

(a) Multiple regression analyses

The results of the MRA show that the independent variables (Product differentiation, Promotion of family business and Family business image) explain 3.60 per cent of the variance in Perceived financial performance (see Table 6.16). A significant positive linear relationship (b=0.143; p<0.005) was reported between Product differentiation and Perceived financial performance, thereby supporting hypotheses H1a. In other words, the more a family business distinguishes itself from other businesses by emphasising products and/or services for high price market segments, develops/sells new products and/or services, invests in research and development facilities to develop and sells speciality products and/or services, as well as upgrades existing products’ appearance and performance, the more likely the family business is to be perceived as financially secure, experiencing growth in turnover and profits, as well as being financially successful and profitable.

The findings however show that there is no statistically significant relationship between the independent variable Promotion of family business and Perceived financial performance, implying that whether or not family business owners promote their business as family-owned to employees, financiers, customers and suppliers has no influence on their family business’ Perceived financial performance. No support is thus found for hypothesis H1b. Furthermore, no relationship was found between Family business image and Perceived financial performance, implying that whether or not a family business uses its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material, has no influence on the Perceived financial performance of the family business. Therefore, no support is found for hypothesis H1c stating that there is a positive relationship between Family business image and the Perceived financial performance of the family business.
Table 6.16: Influence of the independent variables on Perceived financial performance

<table>
<thead>
<tr>
<th>Dependent variable: Perceived financial performance</th>
<th>R²=0.036</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td><strong>Beta</strong></td>
</tr>
<tr>
<td>Intercept</td>
<td>3.441</td>
</tr>
<tr>
<td>Product differentiation</td>
<td>0.143</td>
</tr>
<tr>
<td>Promotion of family business</td>
<td>0.002</td>
</tr>
<tr>
<td>Family business image</td>
<td>0.071</td>
</tr>
</tbody>
</table>

(*p<0.005)

(b) Single regression analyses

The independent variable Stakeholder perception explains 41.00 per cent of the variance in Promotion of family business. As indicated in Table 6.17, a significant positive linear relationship (b=0.700; p<0.001) exists between Stakeholder perception and Promotion of family business. Thus the more that family business owners perceive that their employees, financiers, customers and suppliers think that it is important that they are a family business, the more likely they are to promote their businesses as a family business to stakeholders. As a result, support is found for hypothesis H²a stating that there is a positive relationship between Stakeholder perception and Promotion of family business.

Table 6.17: Influence of Stakeholder perception on Promotion of family business

<table>
<thead>
<tr>
<th>Dependent variable: Promotion of family business</th>
<th>R²=0.410</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td><strong>Beta</strong></td>
</tr>
<tr>
<td>Intercept</td>
<td>1.165</td>
</tr>
<tr>
<td>Stakeholder perception</td>
<td>0.700</td>
</tr>
</tbody>
</table>

(**p < 0.001)

As shown in Table 6.18, 36.50 per cent of the variance in Family business image can be explained by Stakeholder perception. The results show that a statistically significant positive linear relationship (b=0.572; p<0.001) exists between Stakeholder perception and Family business image. Thus support is found for hypothesis H²b stating that there is a positive relationship between Stakeholder perception and Family business image.
6.5.3 The influence of demographic variables on selected marketing and branding practices investigated in this study

In the first section of the measuring instrument, namely Section A, respondents were requested to provide demographic information pertaining to their Age, and Tertiary qualification. In addition, respondents were asked to provide information relating to their family business, including the Number of employees, Nature of the family business and which Generation owns the family business.

An ANOVA was undertaken to determine whether relationships exists between the aforementioned selected demographic (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) and the family business branding practices. The selected marketing and branding practices, namely Product differentiation, Promotion of family business, Family business image and Stakeholder perception, served as the dependent variables in this analysis. Furthermore, a post-hoc Scheffé test was used to identify significant differences between the mean scores of the various categories within each demographic variable. If the post-hoc Scheffé test revealed that significant differences in the mean scores exist, eta-squared values were calculated to assess whether these differences were of practical significance. The criteria of Gravetter and Wallnau (2009:392–476) and Salkind (2010:423) were used to assess the levels of practical significance. The results of the ANOVAs are presented in the following section.

6.5.3.1 Demographic variables and Product differentiation

From Table 6.19 it can be seen that no significant relationship exists between the demographic variables Age of the owner, Generation ownership, Tertiary qualification of the owner and

---

**Table 6.18: Influence of Stakeholder perception on Family business image**

<table>
<thead>
<tr>
<th>Dependent variable: Family business image</th>
<th>R²=0.365</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variables</td>
<td>Beta</td>
</tr>
<tr>
<td>Intercept</td>
<td>1.345</td>
</tr>
<tr>
<td>Stakeholder perception</td>
<td>0.572</td>
</tr>
</tbody>
</table>

(**p < 0.001)
Nature of the family business, and the dependent variable Product differentiation. Thus these variables have no influence on the family business using a Product differentiation competitive orientation. On the other hand, a significant (p<0.05) relationship between the demographic variable Number of employees and Product differentiation was reported, thereby implying that the number of employees in a family business has an influence on the business using a Product differentiation competitive orientation. The eta-squared value (0.043) showed this difference to be of medium practical significance. The post-hoc Scheffé test revealed that family businesses which had between 11 and 20 employees ($\bar{x}$=4.092) scored significantly (p<0.05) higher mean scores than family businesses which employed more than 50 employees ($\bar{x}$=3.616) for Product differentiation. In other words, smaller family businesses were more likely to utilise Product differentiation than larger family businesses.

Table 6.19: Demographic variables and Product differentiation

<table>
<thead>
<tr>
<th>Dependent variable: Product differentiation</th>
<th>F-values</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the owner</td>
<td>1.245</td>
<td>0.290</td>
</tr>
<tr>
<td>Generation ownership</td>
<td>0.522</td>
<td>0.593</td>
</tr>
<tr>
<td>Tertiary qualification of the owner</td>
<td>0.468</td>
<td>0.494</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2.927</td>
<td>0.013*</td>
</tr>
<tr>
<td>Nature of the family business</td>
<td>0.216</td>
<td>0.885</td>
</tr>
</tbody>
</table>

(*p<0.05)

Against this background, the null hypothesis (H0\textsuperscript{1a}) stating that there is no relationship between the demographic variables investigated in this study and the family business using a Product differentiation competitive orientation, is accepted for Age of the owner, Generation ownership, Tertiary qualification of the owner and Nature of the family business, but not for Number of employees.

6.5.3.2 Demographic variables and Promotion of family business

The results of the ANOVA reveal that no significant relationship exist between Tertiary qualification of the owner and Number of employees, and the dependent variable Promotion of family business (see Table 6.20). These results suggest that whether the family business owners
have a qualification or not, and whether the business employs a few or many employees has no influence on the family business promoting itself as family-owned. However, significant positive (p<0.05) relationships between the demographic variables Age of the owner, Generation ownership and Nature of the family business, and the dependent variable Promotion of family business were reported.

Despite a statistically significant relationship being reported, the post-hoc Scheffé test revealed no differences in mean scores between the various age categories. In other words, the age of the family business owner has no influence on whether the family business is promoted as a family business to suppliers, potential employees, financiers and customers. Similarly, despite ANOVA indicating a significant positive (p<0.05) relationship between Nature of the family business and Promotion of family business, the post-hoc Scheffé test revealed that there are no significant differences in the mean scores of different industries and Promotion of family business.

On the other hand, respondents in second generation (\(\bar{x}=3.693\)) family businesses reported a significantly higher (p<0.05) mean score than respondents in first generation (\(\bar{x}=3.293\)) family businesses. The eta-squared value (0.035) showed this difference to be of small practical significance. The results of the post-hoc Scheffé test imply that second generation family businesses are more likely than first generation family businesses, to promote the business as family-owned to employees, financiers, customers and suppliers.

Table 6.20:  Demographic variables and Promotion of family business

<table>
<thead>
<tr>
<th>Dependent variable: Promotion of family business</th>
<th>F-values</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age of the owner</td>
<td>2.549</td>
<td>0.039*</td>
</tr>
<tr>
<td>Generation ownership</td>
<td>6.004</td>
<td>0.002*</td>
</tr>
<tr>
<td>Tertiary qualification of the owner</td>
<td>0.371</td>
<td>0.542</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.595</td>
<td>0.703</td>
</tr>
<tr>
<td>Nature of the family business</td>
<td>3.023</td>
<td>0.030*</td>
</tr>
</tbody>
</table>

(*p<0.05)
Against the background of the results above, the null hypothesis ($H_0^{1b}$) stating that there is no relationship between demographic variables and Promotion of family business is accepted for the demographic variables Age of the owner, Tertiary qualification of the owner, Number of employees, and Nature of the family business, but not for Generation ownership.

6.5.3.3 Demographic variables and Family business image

As seen in Table 6.21, the results of the ANOVA reported that there are significant positive (p<0.05) relationships between demographic variables Age of the owner, Generation ownership and Number of employees, and the dependent variable Family business image. However the post-hoc Scheffé test revealed that there are no significant (p<0.05) differences in the mean scores for different age categories, nor the number of employees for Family business image. In other words, neither the age of family business owners, nor the number of employees influences whether they used their recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material. The post-hoc Scheffé did however reveal that second ($\bar{x}=3.508$) and third generation ($\bar{x}=3.465$) family businesses scored significantly higher (p<0.05) mean scores than first generation ($\bar{x}=3.008$) family businesses. The eta-squared value (0.075) showed this difference to be of medium practical significance. This implies that second and third generations are more likely to use their recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material, than first generation family businesses.

Table 6.21: Demographic variables and Family business image

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>F-values</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the owner</td>
<td>3.023</td>
<td>0.018*</td>
</tr>
<tr>
<td>Generation ownership</td>
<td>13.146</td>
<td>0.000*</td>
</tr>
<tr>
<td>Tertiary qualification of the owner</td>
<td>0.041</td>
<td>0.839</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2.637</td>
<td>0.023*</td>
</tr>
<tr>
<td>Nature of the family business</td>
<td>1.175</td>
<td>0.319</td>
</tr>
</tbody>
</table>

(*p<0.05)
From the aforementioned discussion, the null hypothesis ($H_0^{1c}$) stating that there is no relationship between demographic variables investigated in this study and *Family business image* is accepted for *Age of the owner, Tertiary qualification of the owner, Number of employees, and Nature of the family business*. However, the alternative hypotheses namely $H_A^{1c}$ is accepted for *Generation ownership*.

6.5.3.4 Demographic variables and Stakeholder perception

From Table 6.22 it is evident that there is a significant (p<0.05) relationship between the demographic variable *Age of the owner* and *Generation ownership* and the dependent variable *Stakeholder perception*. These results suggest that the age of the family business owners has an influence on their perception of whether their employees, financiers, customers and suppliers think it is important that they are a family business. An eta-squared value (0.069) showed this difference to be of medium practical significance. In support, the post-hoc Scheffé test showed that there were significant differences between the *Age of the owner* categories of respondents in terms of *Stakeholder perception*. The results of the post-hoc Scheffé test revealed that respondents who are 60 years and older ($\bar{x}$=3.730) scored significantly higher (p<0.05) mean scores than respondents between the ages of 30 to 39 ($\bar{x}$=3.061) for *Stakeholder perception*.

A significant relationship (p<0.05) was also reported between *Generation ownership* and *Stakeholder perception*. The eta-squared value (0.024) showed this difference to be of small practical significance. The results of the post-hoc Scheffé test showed that respondents in second generation ($\bar{x}$=3.436) family businesses reported a significantly higher (p<0.05) mean score than respondents in first generation ($\bar{x}$=3.148) family businesses for *Stakeholder perception*.

No significant relationships were reported between *Tertiary qualification of the owner, Number of employees* and *Nature of the family business*, and *Stakeholder perception*. As such whether the family business owner has a qualification or not has not influence on *Stakeholder perception*. Furthermore, the size of the family business and the industry in which it operates has no influence on the family business owner perceiving that their employees, financiers, customers and suppliers think it is important that they are a family business.
Table 6.22: Demographic variables and Stakeholder perception

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>F-values</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the owner</td>
<td>5.950</td>
<td>0.000*</td>
</tr>
<tr>
<td>Generation ownership</td>
<td>4.070</td>
<td>0.018*</td>
</tr>
<tr>
<td>Tertiary qualification of the owner</td>
<td>0.068</td>
<td>0.792</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1.014</td>
<td>0.409</td>
</tr>
<tr>
<td>Nature of the family business</td>
<td>2.467</td>
<td>0.062</td>
</tr>
</tbody>
</table>

(*p<0.05)

Against this background, the null hypothesis (H_{01d}) stating that there is no relationship between demographic variables of family business owners and Stakeholder perception, is accepted for Tertiary qualification of the owner, Number of employees and Nature of the family business, but not for Age of the owner and Generation ownership.

6.6 SUMMARY

In this chapter the empirical results were presented. The chapter commenced with a summary of the demographic information of respondents, followed by the validity and reliability results of the measuring instrument. The factor analyses indicated that all items in the scales were valid, whereas the reliability assessment revealed that all but one of the scales were reliable. Thus, sufficient evidence was provided for validity and reliability of the following variables Product differentiation, Promotion of family business, Family business image, Stakeholder perception and Perceived financial performance. As a result of the validity and reliability assessment, the constructs were re-operationalised, and the hypothesised relationships were revised and renumbered. The results of the descriptive and inferential statistical analyses, including descriptive statistics, Pearson’s product moment correlations, regression analyses (both single and multiple regression analyses) and ANOVAs were then presented. In Chapter 7, the study will be summarised, providing an overview of the various chapters. The main findings of the empirical investigation will be interpreted, and various recommendations for family SMEs will be presented. Furthermore, the limitations encountered throughout the study will be highlighted, followed by a discussion on the contributions of the study. In conclusion, recommendations for future research will be presented.
CHAPTER 7

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

In Chapter 6, the empirical results of the study were discussed and presented. Chapter 7 will provide an overview of the study as a whole, as well as highlighting how the research objectives stated in Chapter 1 were successfully realised. Thereafter, the main empirical results will be presented and interpreted and recommendations will be made. In addition, the contributions of the study, as well as its limitations will be presented. Conclusions and recommendations for future research will be proposed based on the findings of the study and finally some concluding remarks will be made.

7.2 OVERVIEW OF THE STUDY

In Chapter 1 an introduction and background to the study were provided. In addition, the problem statement, purpose of the study and research objectives were presented. Given the importance of and lack of information pertaining to marketing and branding in family SMEs in South Africa, the purpose of this study was to gain greater insights into these practices and the influence thereof on the financial performance of family SMEs operating in the Eastern Cape. Greater insights could lead to improved marketing and branding practices in these businesses, and could ultimately enhance their business performance and longevity.

More specifically, the primary objective of this study was to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape. In order to address the primary objective of this study, the following secondary objectives (SO) were formulated:

SO\(^1\) To investigate the influence of selected marketing and branding practices on the Perceived financial performance of family SMEs;

SO\(^2\) To investigate the influence of Stakeholder perception on the use of “family” in selected marketing and branding practices among family SMEs;
To investigate the relationship between selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) and the selected marketing and branding practices adopted by family SMEs.

In order to achieve the above-mentioned primary and secondary objectives, the following methodological objectives (MO) were identified:

MO\(^1\) To undertake a theoretical investigation into the nature and importance of both family and non-family SMEs, as well as the nature and importance of marketing and branding in general and in family SMEs in particular;

MO\(^2\) To propose a hypothesised model that reflects the relationships between the independent variables (Customer service differentiation, Product differentiation, Promotion of family business and Family business image) and dependent variable (Perceived financial performance);

MO\(^3\) To propose a hypothesised model that reflects the relationships between the independent variable (Stakeholder perception) and dependent variables (Promotion of family business and Family business image);

MO\(^4\) To determine the appropriate research methodology to address the identified research problem and research objectives;

MO\(^5\) To develop an appropriate measuring instrument that will be used to empirically test the relationships between the independent and the dependent variables;

MO\(^6\) To source primary data from a predetermined sample of family SMEs in the Eastern Cape, and to statistically analyse the data, as well as test the proposed hypotheses;

MO\(^7\) To provide conclusions and recommendations based on the findings of this research, which could assist the owners of family SMEs to ultimately improve their business’s financial performance by adopting appropriate marketing and branding practices.

In Chapter 1 the background to the study, as well as the research problem, were discussed. In addition, the research objectives were highlighted, whereafter research questions and research hypotheses for the study (see Figures 1.1 and 1.2) were proposed. The two main hypothesised models which formed the basis for the empirical investigation were introduced. Furthermore, Chapter 1 provided a brief overview of the research design and methodology, and the scope and
demarcation, as well as the contribution of the study, were highlighted. Key concepts were defined and an overview of the structure of the study concluded the chapter.

In Chapters 2 and 3, a comprehensive literature review was undertaken. Chapter 2 focused on the nature and importance of SMEs, and more specifically family SMEs. For the purpose of this study a small and medium-sized business (SME) is one where the owner is actively involved in the daily running and managing of the business, the business has been in operation for at least one year, and employs more than five but fewer than 200 full-time employees. From Chapter 2 it was evident that SMEs are seen as important vehicles to combat unemployment and poverty, and that their invaluable ability to stimulate innovation and contribute to sustainable economy growth should not be underestimated. Despite SMEs being considered as the backbone of the global economy, they face many challenges, among others, inadequate planning and a lack of financial expertise, ineffective cash flow management, and a lack of managerial experience in key functions such as marketing.

Chapter 2 also introduced the nature and importance of family businesses. Family business interactions were contextualised by referring to several seminal family business models. A family business was operationalised in this study as a business where at least two family members work in the business and the family owns more than a 50 per cent share in the business. The main differences between family and non-family businesses were highlighted, with the most significant being the involvement of family in the business. It is this involvement that leads to a unique bundle of resources and capabilities, known as “familiness”, that are not present in non-family businesses. The important contributions of family businesses were highlighted from both a social and economic perceptive, including their contributions to employment, GDP, and economic growth. An overview of the main challenges facing family businesses concluded the chapter. These main challenges include attracting and retaining skilled employees, ineffective communication, sibling rivalry and competition, nepotism, lack of succession planning and a lack of attention to marketing. Research shows that marketing, and more specifically branding, play an important role in the performance of family businesses, and can be used by family businesses to increase their longevity.

Chapter 3 focused on the nature and importance of marketing and branding in family businesses. Marketing, and more specifically branding, was found to be increasingly important
to both family and non-family businesses. Family businesses in particular are in a fortunate position concerning branding in that they are able to leverage their unique familiness to establish a family business brand. A family business brand is similar to a corporate brand in that it goes beyond marketing products and services with the business’s name and logo. However, it is more comprehensive in that this brand is based on the identity of the family, and therefore the business is a reflection of the identity of the family. Furthermore, various family business branding strategies exist which family businesses can use to develop and communicate their unique family business brand to their customers. These strategies include Hatch and Schultz’s (2001) dimensions of corporate branding, Astrachan and Astrachan’s (2015) family business branding strategies, as well as those proposed by Micelotta and Raynard (2011). Chapter 3 concluded by highlighting the importance of family business branding. Based on the literature review undertaken in Chapters 2 and 3, the first methodological objective (MO1) was achieved.

In Chapter 4, two hypothesised models illustrating the relationships between selected independent variables and dependent variables in this study were proposed. The first model hypothesised relationships between the independent variables Customer service differentiation, Product differentiation, Promotion of family business and Family business image, and the dependent variable Perceived financial performance. The second model hypothesised relationships between Stakeholder perception, and the use of “family” in both the Promotion of family business and Family business image. Both anecdotal and empirical evidence was provided to support the hypothesised relationships. In addition, the relationships between selected demographic variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) and the marketing and branding practices of family SMEs investigated in this study were discussed. Both anecdotal and empirical evidence was provided to support the hypotheses proposed. Based on Chapter 4, the second (MO2) and third (MO3) methodological objectives were achieved.

The main purpose of Chapter 5 was to describe the research paradigm and methodology used to address the primary, secondary and methodological objectives of this study. In doing so the fourth (MO4) and fifth (MO5) methodological objectives were achieved in this chapter. Given the purpose of this study, a positivistic research paradigm and quantitative research methodology was adopted. This paradigm and approach was selected because the study
required a relatively large empirical sample and required a statistical analyses of the data collected. Furthermore, justification for using a positivistic research paradigm was that the study involved the testing of hypothesised relationships (see Figures 1.1 and 1.2). Owing to the cross-sectional nature of this study, it made use of a survey research method using a structured, self-administered questionnaire to collect the primary data.

In Chapter 5 the secondary and primary data collection methods were elaborated on. As previously mentioned, a comprehensive literature review (secondary research) was conducted on existing literature regarding the selected marketing and branding practices investigated in this study. The discussion of the primary data collection methods detailed the population, sample and sampling techniques which were used. The population consisted of all family SMEs located within the borders of the Eastern Cape province of South Africa. However, given the inability of researchers to study all family SMEs in the Eastern Cape, a sample of family SMEs was selected by using two non-probability sampling techniques, namely judgemental and convenience sampling. Based on the fact that the study investigated selected marketing and branding practices among family SMEs, judgemental sampling was used to ensure that all respondents met the criteria of being a family SME, while convenience sampling was selected due to the ease of access to family SMEs in the Eastern Cape and the lack of databases on SMEs in general.

The development of the measuring instrument, qualifying questions and the operationalisation of the dependent and independent variables was also described in Chapter 5. The scales measuring the factors under investigation in this study were based on existing scales that had been developed by previous researchers investigating marketing and branding among family businesses. This was followed by a discussion of how the measuring instrument was administered, as well as the ethical considerations that were adhered to. A total of 500 questionnaires were distributed by fieldworkers and collected in person once completed. The process resulted in 325 usable questionnaires. An effective response rate of 65.00 per cent was thus achieved. The questionnaires were inspected for missing data, whereafter the data was captured onto an Excel spreadsheet. Chapter 5 also presented a discussion on how the data was analysed.
The validity of the measuring instrument was assessed by undertaking tests for unidimensionality using factor analyses on the ordinal scales (Likert scales), while the validity of the dichotomous questions was assessed using content validity. For the purpose of this study, factor loadings above 0.5 were deemed valid for the ordinal scales, while the researcher, together with two experts in the field of marketing and family businesses, deemed the items for the dichotomous questions to show evidence of content validity. The reliability of the ordinal scales was assessed by calculating Cronbach’s alpha coefficients, whereby coefficients greater than 0.7 were deemed a scale to be reliable. The reliability of the dichotomous questions was assessed using the Kuder-Richardson Formula 20 (K-R 20). For the purpose of this study, Kuder-Richardson values greater than 0.5 deemed the dichotomous questions to be reliable.

The statistical techniques used to analyse the collected data included descriptive and inferential statistics. Descriptive statistics were used to summarise the sample data and included calculating mean scores, standard deviations and frequency distributions. The inferential statistics included undertaking Pearson’s product moment correlations, regression analyses and ANOVAs. The Pearson’s product moment correlations were calculated to determine the association between the variables in the study, whereas regression analyses (single and multiple regression) were performed to assess the relationships proposed in Figures 1.1 and 1.2. The relationships hypothesised between selected demographic variables and the selected marketing and branding practices investigated in this study were assessed by means of ANOVAs. Post-hoc Scheffe tests were undertaken to determine whether there were significant differences between the categories of the demographic variables, and if the post-hoc Sheffé test revealed any significant differences, eta-squared were calculated to assess whether these differences were of practical significance.

In Chapter 6 the empirical findings of this study were presented. As such, the sixth methodological objective (MO6) was achieved. The chapter commenced by providing an overview of the demographic profile of the respondents, the majority of whom were white males over the age of 39 years and in possession of a tertiary qualification. The majority of respondents had also been the owner of the family SME for more than ten years. The majority of family SMEs in this study were in their first generation and employed fewer than 20 employees. The most prominent industries in which the family SMEs operated were the service and retailer and/or wholesaler industries.
As mentioned above, tests for unidimensionality using factor analyses were undertaken to assess the validity of the scales measuring the constructs investigated in this study. Only factor loadings exceeding the 0.5 cut-off point were considered significant. Most items loaded as expected; however, only five of the original six items intended to measure the dependent variables Perceived financial performance loaded onto this factor. Cronbach’s alpha coefficients of greater than 0.7 were returned for all the factors measured using ordinal scales, except one factor namely Customer service differentiation. Therefore, Customer service differentiation was not considered for further statistical analysis in this study. Sufficient evidence of validity and reliability was thus provided for all the scales measuring the other factors (Product differentiation, Promotion of family business, Family business image, Stakeholder perception and Perceived financial performance) under investigation in this study.

Based on the results of the validity and reliability assessments, the hypothesised models were revised and the hypotheses renumbered, and the operational definitions reformulated. The items measuring the dichotomous questions were validated by the researcher, together with two experts in the field of marketing and family businesses. As such content validity was established. Furthermore, Kuder-Richardson values of greater than 0.5 were reported for the dichotomous items relating to Branding of the family name, but not for Marketing function. However, based on the fact that the questions were used for descriptive purposes only, the items measuring Marketing function were used for statistical analysis. The validity and reliability of the dichotomous items was thus confirmed.

Descriptive statistics including the means, standard deviations and frequency distributions were reported on. The independent variables returned mean scores of between 3.220 and 3.773, with the majority of respondents respectively felt neutral and agreed with the statements measuring these factors. Furthermore, Promotion of family business returned the third lowest mean score (\(\bar{x}=3.462\)) with almost half of the respondents agreeing that the family business is being promoted as a family business to suppliers, potential employees, financiers and customers. The dependent variable Perceived financial performance returned the highest mean score (\(\bar{x}=4.215\)), with the majority of respondents agreeing with the statements measuring this factor. These findings suggest that family business owners in this study agreed that their family business is financially secure, has experienced growth in turnover and profits over the last two years, and is financially successful and profitable.
The dichotomous questions relating to the *Marketing function* indicated that the majority of respondents did not have a written marketing strategy or a separate department that deals with marketing for their family business. However, the majority responded positively to the question: “Is the person responsible for marketing in your family business the owner or a family member of the owner?” The majority of respondents also indicated that the family has a significant influence on the marketing strategy of the business and that the marketing strategy of the family business was not based on the fact that the business is a family business. The second set of dichotomous questions relating to *Branding of the family name* revealed that in most instances the family name (surname) does not appear in the name, brand, logo or advertising material of the family business. In addition, only a few respondents indicated that the history of the family business appears on the website of the family business.

The inferential statistics included calculating Pearson’s product moment correlations, performing both single and multiple regression analyses, and undertaking ANOVA. The results of the Pearson’s product moment correlation coefficients revealed that *Promotion of family business* was significantly and positively related to both *Family business image* and *Stakeholder perception*. A strong positive correlation was also reported between *Promotion of family business* and *Family business image*, as well as between *Promotion of family business* and *Stakeholder perception*. Furthermore, a significant strong positive correlation was reported between *Family business image* and *Stakeholder perception*. Only *Product differentiation* and *Family business image* were found to be significantly and positively correlated with *Perceived financial performance*.

Concerning Model 1, the results of the multiple regression analyses reported a significant positive linear relationship between *Product differentiation* and *Perceived financial performance* but not between the other independent variables and *Perceived financial performance*. In addition, the two single regression analyses revealed that a significant positive linear relationship exists between *Stakeholder perception* and *Promotion of family business*, and between *Stakeholder perception* and *Family business image*. The results of the multiple regression analysis are summarised in Figure 7.1. The interpretations of these findings will be discussed in Section 7.3.
Figure 7.1: Summary of significant relationships of Model 1

- **Product differentiation**
  - $H^{1a}; p<0.005$
- **Promotion of family business**
  - $H^{1b}; NS^*$
- **Family business image**
  - $H^{1c}; NS^*$

NS = Not significant

Source: Researcher’s own construction

Two single regression analyses were undertaken to test the hypotheses proposed for Model 2. In the first, a significant positive linear relationship was reported between Stakeholder perception and Promotion of family business and in the second, a statistically significant positive linear relationship was reported between Stakeholder perception and Family business image. The results of the single regression analyses are summarised in Figure 7.2. The interpretations of these findings will be discussed in Section 7.3.

Figure 7.2: Summary of significant relationships of Model 2

- **Stakeholder perception**
  - $H^{2a}; p<0.001$
  - $H^{2b}; p<0.001$
- **Promotion of family business**
- **Family business image**

Source: Researcher’s own construction
Given the results of the single and multiple regressions analyses, the results of the hypotheses testing are summarised in Table 7.1. As such, the first (SO₁) and second (SO₂) secondary objectives were achieved.

**Table 7.1: Summary of hypotheses tested in the models**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁ᵃ</td>
<td>There is a positive relationship between the use of a Product differentiation competitive orientation and the Perceived financial performance of family SMEs.</td>
</tr>
<tr>
<td>H₁ᵇ</td>
<td>There is a positive relationship between Promotion of family business and the Perceived financial performance of family SMEs.</td>
</tr>
<tr>
<td>H₁ᶜ</td>
<td>There is a positive relationship between Family business image and the Perceived financial performance of family SMEs.</td>
</tr>
<tr>
<td>H₂ᵃ</td>
<td>There is a positive relationship between Stakeholder perception and Promotion of family business.</td>
</tr>
<tr>
<td>H₂ᵇ</td>
<td>There is a positive relationship between Stakeholder perception and Family business image.</td>
</tr>
</tbody>
</table>

In Chapter 6, the results of the ANOVA were also presented, whereby it was revealed that Number of employees was the only demographic variable that exerted a significant influence on Product differentiation. In addition, despite the results of ANOVA indicating that the Age of respondent, Generation ownership and Nature of family business had an influence on Promotion of family business, the post-hoc Scheffé test revealed that only Generation ownership had a significant influence on Promotion of family business.

The ANOVA results indicated that a significant positive relationship existed between Age of respondent, Generation ownership and Number of employees, and the dependent variable Family business image. The post-hoc Scheffé however demonstrated that only Generation ownership had a significant influence on Family business image. The results of the ANOVA and the post-hoc Scheffé showed that significant relationships exist between Age of respondent and Generation ownership and Stakeholder perception. Based on the aforementioned, a summary of the results of the null hypotheses testing is presented in Table 7.2. As such, the third (SO₃) secondary objectives were achieved.
Table 7.2: Summary of null hypotheses tested

<table>
<thead>
<tr>
<th>Null Hypotheses</th>
<th>Demographic variable</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{01a}$ There is no relationship between the selected demographic variables investigated in this study and family SMEs using a <em>Product differentiation</em> competitive orientation.</td>
<td>Age of the owner, Generation ownership, Tertiary qualification of the owner and Nature of the family business</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Number of employees</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{01b}$ There is no relationship between the selected demographic variables investigated in this study and <em>Promotion of family business</em>.</td>
<td>Age of the owner, Tertiary qualification of the owner, Number of employees and Nature of the family business</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Generation ownership</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{01c}$ There is no relationship between the selected demographic variables investigated in this study and <em>Family business image</em>.</td>
<td>Age of the owner, Tertiary qualification of the owner, Number of employees and Nature of the family business</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Generation ownership</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_{01d}$ There is no relationship between the selected demographic variables investigated in this study and <em>Stakeholder perception</em>.</td>
<td>Tertiary qualification of the owner, Number of employees and Nature of the family business</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Age of the owner and Generation ownership</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

From the overview above, it can be concluded that the primary, secondary and methodological objectives of this study have been achieved. The achievement of these objectives and the chapters in which they have been achieved are summarised in Tables 7.3 to 7.5.

Table 7.3: Study primary objective achieved in the relevant chapters

<table>
<thead>
<tr>
<th>Primary objective</th>
<th>Chapters in which objectives were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>The primary objective of this study was to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape.</td>
<td>Chapter 1 to 7</td>
</tr>
</tbody>
</table>

Table 7.4: Study secondary objectives achieved in the relevant chapters

<table>
<thead>
<tr>
<th>Secondary objectives</th>
<th>Chapter in which objectives were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>To investigate the influence of selected marketing and branding practices on the <em>Perceived financial performance</em> of family SMEs.</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>To investigate the influence of Stakeholder perception on the use of “family” in selected marketing and branding practices among family SMEs.</td>
<td></td>
</tr>
<tr>
<td>To investigate the relationship between selected demographic variables (<em>Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business</em>) and the selected marketing and branding practices adopted by family SMEs.</td>
<td></td>
</tr>
</tbody>
</table>
Table 7.5: Study methodological objectives achieved in the relevant chapters

<table>
<thead>
<tr>
<th>Methodological objectives</th>
<th>Chapter in which objectives were achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>To undertake a theoretical investigation into the nature and importance of both family and non-family SMEs, as well as the nature and importance of marketing and branding in general and in family SMEs in particular.</td>
<td>Chapter 2 and Chapter 3</td>
</tr>
<tr>
<td>To propose a hypothesised model that reflects the relationships between the independent variables (<em>Customer service differentiation</em>, <em>Product differentiation</em>, <em>Promotion of family business</em> and <em>Family business image</em>) and dependent variable (<em>Perceived financial performance</em>).</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>To propose a hypothesised model that reflects the relationships between the independent variable (<em>Stakeholder perception</em>) and dependent variables (<em>Promotion of family business</em> and <em>Family business image</em>).</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>To determine the appropriate research methodology to address the identified research problem and research objectives.</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>To develop an appropriate measuring instrument that will be used to empirically test the relationships between the independent and the dependent variables.</td>
<td>Chapter 5 Annexure 1</td>
</tr>
<tr>
<td>To source primary data from a predetermined sample of family SMEs in the Eastern Cape, and to statistically analyse the data, as well as test the proposed hypotheses.</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>To provide conclusions and recommendations based on the findings of this research, which could assist the owners of family SMEs to ultimately improve their business’s financial performance by adopting appropriate marketing and branding practices.</td>
<td>Chapter 7</td>
</tr>
</tbody>
</table>

7.3 DISCUSSION AND INTERPRETATION OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

The primary objective of this study was to investigate selected marketing and branding practices adopted by family SMEs in the Eastern Cape. The empirical findings as a whole as presented in Chapter 6 resulted in the achievement of this primary objective. Based on the empirical results of this study, several conclusions and recommendations will be made in the following sections, and in doing so, the final methodological objective (MO7) will be achieved.

7.3.1 Selected marketing and branding practices of family SMEs

Of all the independent variables, *Product differentiation* returned the highest mean score, with the majority of respondents agreeing with the statements measuring this construct. As such the majority of family SME owners participating in this study perceived that their family business distinguishes itself from other businesses by emphasising products and/or services for high price market segments, develop/sell new products and/or services, invests in research and
development facilities to develop and sell speciality products and/or services, as well as upgrades existing products’ appearances and performances. This finding is supported by both Craig et al. (2008:364) and Pérez-Cabañero et al. (2012:123–124) who contend that family businesses often differentiate themselves in the market through product differentiation. Such a product orientation emphasises innovation, research and development, and the delivery of high-quality products to high price market segments. The results of this study are however in conflict with Craig et al. (2008:361) and Flören et al. (2015:18) who maintain that smaller family businesses are more likely to use a customer service differentiation competitive orientation, commonly referred to as a customer-centric orientation, than a product differentiation competitive orientation.

Promotion of family business returned the second highest mean score of all the independent variables, with less than 50.00 per cent of respondents agreeing that they promoted the business as a family business to suppliers, potential employees, financiers and customers. This finding contradicts those of Astrachan and Astrachan (2015:5) who found that most family businesses in their sample did indeed promote the business as a family business to various stakeholders. A possible explanation for the findings in this study could be that family SMEs are known to have limited resources (Laforet 2013:209; Kotey 2005:18; Price et al. 2013:3) with limited finances in particular. These limitations, together with the fact that establishing a family business brand is time-consuming and expensive, could result in family SMEs not investing the required resources needed to promote the business as family-owned (Miller 2015; Schwass & Glemser 2014:5–6).

Stakeholder perception returned the second lowest mean score with most of the respondents being neutral with regard to their employees, financiers, customers and suppliers thinking that it is important that they are a family business. This finding is supported by Flören et al. (2015:105) who found that the majority of family business directors in the Netherlands were neutral with regard to their financiers, customers and suppliers thinking that it is important that they are a family business. However, Flören et al. (2015:105) reported that more than half of the directors either agree or strongly agree that employees in particular found it important that the business was a family business.
Family business image returned the lowest mean score with only one-third of respondents agreeing that their family business used its recognised family name as a brand when doing business and that they used the fact that they are a family business as a basis for their marketing strategy and material. The studies of Memili et al. (2010:207) and Zellweger et al. (2012:245) reported similar results with most of their respondents also being neutral towards using the family name as a basis for branding and marketing. A possible explanation why family businesses refrain from establishing a family business image, can be that when marketing and branding a business as family-owned, the identity and the image of the business overlap with that of the family, resulting in a mirror effect. In other words, if the image of the family business is under scrutiny by the public, it can also negatively affect the image of the family itself (Flören et al. 2015:97; Memili et al. 2010:202).

The dichotomous questions relating to the Marketing function revealed that most of the family SMEs participating in the current study did not have a written marketing strategy, or a separate department that deals specifically with marketing. Given the resource constraints associated with family SMEs, it is well documented in literature that family SMEs refrain from undertaking formal marketing activities (Ntanos & Ntanos 2014:154; Pérez-Cabañero et al. 2012:120–121). Instead, most opt for a marketing approach that is often described as informal, unstructured, spontaneous, simple, and reliant on intuitive ideas and common sense (Ntanos & Ntanos 2014:154; Terzidis & Samanta 2011:67). In addition, the current study found that the marketing strategy adopted by most family businesses is not based on the fact that the business is a family business. These findings are in line with that of Flören et al. (2015:65) who found that only a small percentage of family businesses base their marketing strategy on the fact that the business is a family business. As previously mentioned, a possible explanation for this finding can be that family SME owners often do not have the required time, financial resources or knowledge to investigate the available avenues for marketing and branding the business as family-owned (Ntanos & Ntanos 2014:154; Pérez-Cabañero et al. 2012:120–121; Razeghi et al. 2014:122).

The dichotomous questions relating to Branding of the family name indicated that the majority of family SMEs participating in this study did not use their family name (surname) in the name, brand, logo or advertising material of the family business. This finding is in line with that of Flören et al. (2015:96) who also found that most family business owners choose to downplay
their family name in the family business’s name, brand, logo and website. However, despite this finding, various researchers (Craig et al. 2008:354–356; Gallucci et al. 2015:157; Kashmiri & Mahajan 2010:271; Micelotta & Raynard 2011:199) maintain that family businesses, particularly family SMEs, can benefit from branding their family name.

7.3.2 The influence of selected marketing and branding practices on Perceived financial performance

In the following paragraphs the influence of the marketing and branding practices, namely Product differentiation, Promotion of family business and Family business image on the Perceived financial performance of family SMEs, as were proposed by the first hypothesised model, will be discussed.

7.3.2.1 Product differentiation

This study found a statistically significant positive relationship between Product differentiation and Perceived financial performance, implying that the more family SMEs distinguish their family business from other businesses by emphasising products and/or services for high price market segments, developing/selling new products and/or services, investing in research and development facilities to develop and sell speciality products and/or services, as well as upgrading existing products’ appearance and performance, the more likely the family SME is to be perceived as financially secure, experiencing growth in turnover and profits, as well as being financially successful and profitable.

This finding contradicts that of Pérez-Cabañero et al. (2012:133) who found no significant relationship between product differentiation and financial performance of family businesses. According to them, adopting a product differentiation had no direct effect on the financial performance of family businesses. However, emphasising new product development, innovative product designs and high quality products leads to greater levels of customer satisfaction, and greater customer satisfaction in turn leads to increased profitability, returns and margins (Pérez-Cabañero et al. 2012:133).
Based on the significant relationship found between Product differentiation and Perceived financial performance, the following recommendations are put forward:

- Family SMEs should emphasise products and/or services for high price market segments. This could be done by the family SME owner undertaking demographic segmentation (based on earnings) to carve out a clear and well-defined target market (high-end buyers). Family SME owners could also position their product and/or services as “more for more” in the minds of customers by developing a marketing campaign that emphasises sophistication, craftsmanship and prestige.

- Family SME owners should develop and/or sell new speciality products and/or services. This can be achieved by the family SME owner having weekly idea-generation sessions with employees to develop ideas for new speciality product and/or services. The family SME owner can also undertake market research among customers to investigate whether there is a need in the market for these new speciality products. Family SME owners can also focus on packaging their existing products in an attractive manner using different textures/materials/colours and/or designs that projects an image of distinctiveness and exclusivity to customers.

- Family SME owners should invest in research and development facilities as a means to achieve a competitive advantage. On a smaller scale, family SME owners can for example covert an office room into a testing facility, where products are tested as soon as they arrive from manufacturers. However, a cost-benefit analysis should be undertaken to determine whether the benefits outweigh the costs of investing in such facilities. Furthermore, the family SME owner should investigate the opportunity cost involved in investing in research and development facilities, as opposed to investing the capital in other wealth-creating investment opportunities.

- Family SME owners should continuously strive to upgrade their existing products’ appearance and performance. For instance, family SME owners can host a yearly product review meeting with customers in order to obtain feedback with regard to possible product improvements and upgrades. Afterwards, the family SME owner can assess the reviews and decide on upgrading the appearances and performance of products. Family SME owners can also involve employees in the product review process by having yearly product improvement competitions, where employees are
required to submit product improvement suggestions. Winners of these competition could receive free sample of the products based on their suggested improvements.

7.3.2.2 Promotion of family business

The empirical results of this study show no significant relationship between Promotion of family business and Perceived financial performance, implying that whether or not the family business is promoted as a family business to suppliers, potential employees, financiers and customers, has no influence on the family business being perceived as financially secure, experiencing growth in turnover and profits over the last two years, or being financially successful and profitable. This finding is similar to that of Craig et al. (2008:361) who also reported no direct relationship between the promotion of the family business and family business performance. However, the finding of the current study contradicts those of several others (Beck & Kenning 2015:1134; Kashmiri & Mahajan 2014:94; Micelotta & Raynard 2011:200; Zellweger et al. 2012:245) that provide empirical support for a positive relationship between promoting the business as family owned and business performance.

A possible reason why no relationship is reported between Promotion of family business and Perceived financial performance in the current study could be that most respondents indicated that the marketing strategy of their family business was not based on the fact that it was a family business. Another explanation for the finding could be the size of the sampled family SMEs in this study. The majority of family SMEs in this study were in their first generation and employed fewer than 20 employees, which may point to these businesses not yet being large enough to invest money and other resources in family business branding. Family SMEs are known to have various resource restrictions (Laforet 2013:209; Kotey 2005:18; Price et al. 2013:3). These restrictions together with family SME owners having limited marketing knowledge could have prevented them from successfully promoting the business as a family business to stakeholders (Miller 2015; Schwass & Glemser 2014:5–6).

7.3.2.3 Family business image

The empirical findings of this study show that no significant relationship exists between Family business image and Perceived financial performance. In other words, whether the family
business uses its recognised family name as a brand when doing business or the fact that they are a family business for their marketing strategy and material, or not, has no influence on the family business being perceived as financially secure, experiencing growth in turnover and profits over the last two years, as well as being financially successful and profitable. This finding is somewhat supported by Memili et al. (2010:205) who found a marginally significant relationship between family business image and family business performance. In contrast to the findings of the current study, Zellweger et al. (2012:246) reported a significant relationship between family business image and family business performance.

A possible explanation for the lack of reported relationship between Family business image and Perceived financial performance in this study, could be the characteristics of the family businesses who were sampled. In the study of Zellweger et al. (2012:246), the family businesses sampled were on average much older (69.08 years old) and larger (340.97 employees) than the family SMEs participating the current study. The majority of family SMEs owners in the current study indicated the length of ownership as being less than 16 years, and the number of employees as less than 20. Furthermore, only one-third of respondents in the current study agreed that a family business image was projected to stakeholders, implying that most family SME owners either felt neutral or strongly disagreed that their family business used its recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material.

7.3.3 The influence of Stakeholder perception on the use of “family” in family business promotion and image

The empirical results of this study show a significant positive linear relationship between Stakeholder perception and the dependent variable Promotion of family business. This implies that the more family business owners perceive that their employees, financiers, customers and suppliers think that it is important that they are a family business, the more likely they are to promote their businesses as a family business to these stakeholders. The empirical results also report that Stakeholder perception has a significant influence on Family business image. In other words, the more the family business owner perceives that their employees, financiers, customers and suppliers think that is important that they are a family business, the more likely
the family business is to use its recognised family name as a brand when doing business and the fact that they are a family business for their marketing strategy and material.

The literature (Carrigan & Buckley 2008:664; Flören et al. 2015:105; Zellweger et al. 2012:246) contends that stakeholders attach significant value to family businesses because of their family business status and positive family business image. However, the majority of family businesses choose not to reveal their familial nature to stakeholders in their marketing and branding practices (Flören et al. 2015:104). In other words, despite stakeholders finding it important that the business is family-owned, majority of family businesses are not promoting the business as being family-owned. Numerous respondents in the study of Flören et al. (2015:97) indicated that the business is not promoted as a family business to stakeholders due the interweaving images of the business and the family, as well as the fact that the actions of the business can negatively influence the image of the family, and vice versa. Given the relationships identified in this study, more attention should be given to the perspectives of stakeholders.

Given the relationships between Stakeholder perception and the use of family in Promotion of family business and Family business image, several recommendations are put forward:

- Family SME owners should investigate how important it is to customers, employees, suppliers and financiers that the SME is a family SME before marketing and branding the business as family-owned. This can be achieved by asking in-store customers, employees and suppliers to indicate on a customer service rating device how important it is to them that the business is a family SME. In order to obtain feedback from financiers, the family SME owner can contact their respective bank’s dedicated business banking helpline.

- Family SME owners should determine the level of integration (between the business identity and the family identity) before marketing and branding the business as family-owned. For instance, family SME owners should determine whether the business will only be promoted as a family business to suppliers, potential employees, financiers and customers, or whether the family SME will be using their recognised family name as a brand when doing business and the fact that they are a family business for their marketing strategy and material.
7.3.4 Demographic variables and selected marketing and branding practices

In addition to investigating the influence of selected marketing and branding practices on the Perceived financial performance of family SMEs, and the influence of Stakeholder perception on the use of “family” in Promotion of family business and Family business image, this study also investigated relationships between selected demographics variables (Age of the owner, Generation ownership, Tertiary qualification of the owner, Number of employees, and Nature of the family business) and the marketing and branding practices investigated in this study. Based on the findings discussed in 7.3.4.1 to 7.3.4.4, it is recommended that all family SME owners, irrespective of their demographic profiles, investigate the possible advantages of marketing and branding their businesses as family-owned.

7.3.4.1 Product differentiation

The results of this study revealed that the demographic variables Age of the owner, Generation ownership, Tertiary qualification of the owner and Nature of the family business had no influence on the family business using a Product differentiation competitive orientation. Laforet (2013:217) also found that the Tertiary qualification of family business owners had no influence on the number of new product launches, or product improvements implemented among family businesses.

The findings of this study did, however, report a relationship between the Number of employees and the family business using a Product differentiation competitive orientation. The post-hoc Scheffé test revealed that smaller family businesses were more likely than larger family businesses to utilise Product differentiation. These findings contradict those of Terk, Viia, Lumiste, Heinlo, Ukrainski, Klaamann and Kurik (2007:35) who found that medium-sized Eastonian businesses were more likely than smaller businesses to utilise product differentiation. However, several studies (Craig et al. 2008:364; MacGregor, Bunker & Kartiwi 2010:150; Sultan 2015:225) have reported that both small and medium-sized businesses are likely to use a product-related competitive orientation.
7.3.4.2 Promotion of family business

The results of the current study show that no relationships exist between the demographic variables *Tertiary qualification of the owner* and *Number of employees*, and the family business being promoted as a family business to suppliers, potential employees, financiers and customers (*Promotion of family business*). The study did however report a statistically significant relationship between the demographic variables *Age of the owner*, *Generation ownership* and *Nature of the family business*, and the dependent variable *Promotion of family business*. However, the post-hoc Scheffé test revealed *Age of the owner* and *Nature of the family business* had no significant influence on *Promotion of family business*.

The findings of the current study contradict those of Botero *et al.* (2013:18), Kashmiri and Mahajan (2014:88), and Micelotta and Raynard (2012:211). First, Kashmiri and Mahajan (2014:88) suggest that older individuals are in a more fortunate position than younger individuals to promote their family name, because they have had longer to establish a credible and trustworthy reputation in their community. Second, Botero *et al.* (2013:18), as well as Micelotta and Raynard (2012:211), highlight that the nature of the industry in which the family business operates is positively related to them promoting the business as family-owned. Gallucci *et al.* (2015:158) state that family businesses operating in more traditional industries such as wineries can particularly benefit from promoting and branding the business as family-owned, because the term “family” evokes associations of quality and tradition in the minds of customers.

The post-hoc Scheffé test revealed that *Generation ownership* had a significant influence on *Promotion of family business*. More specifically, second generation family SME owners were more likely than first generation owners to promote their business as a family business to employees, financiers, customers and suppliers. This finding concurs with those of Blombäck and Brunninge (2009:413) and Botero *et al.* (2013:18) who also reported a positive relationship between the age of family businesses and them promoting the business as family-owned. A possible reason for this is that multi-generational family businesses can promote their wealth of knowledge and expertise accumulated over generations to their stakeholders.
7.3.4.3 Family business image

The findings of this study report a significant positive relationship between the demographic variables *Age of the owner*, *Generation ownership* and *Number of employees* and the dependent variable *Family business image*. However, the post-hoc Scheffé test revealed that *Age of the owner* and *Number of employees* had no significant influence on *Family business image*, but that *Generation ownership* did. Despite these findings, Craig *et al.* (2008:352), as well as Micelotta and Raynard (2012:210) suggest that smaller family businesses are more inclined than larger ones to use their family name as a differentiating factor in the market. The results of this study show that older (second and third generation) family SMEs are more likely than first generation family SMEs to use their recognised family name as a brand when doing business and the fact that they are a family business as a basis for their marketing strategy and material. These findings are consistent with that of Zellweger *et al.* (2012:245) who found that older, more established family businesses, are more likely than younger, less established family businesses, to project a family business image to stakeholders.

7.3.4.4 Stakeholder perception

The results of this study report that no significant relationships exist between the demographic variables *Tertiary qualification of the owner*, *Number of employees* and *Nature of the family business* and the dependent variable *Stakeholder perception*. The findings do, however, indicate that the demographic variables *Age of the owner* and *Generation ownership* had an influence on *Stakeholder perception*. In support, the post-hoc Scheffé test revealed that older family SME owners perceive that their employees, financiers, customers and suppliers think it is important that they are a family business more so than younger family SME owners did. A possible explanation for this finding can be that older family SME owners attached more value to the fact that they are a family business, because they built the business from scratch, and want to leave a legacy for their heirs.

Furthermore, the post-hoc Scheffé test showed that second generation family SME owners were more likely than first generation family SME owners to perceive that their employees, financiers, customers and suppliers think it is important that they are a family business. This
finding can be attributed to second generation family SME owners being more educated, and thus knowing the importance of managing stakeholder relations.

7.4 CONTRIBUTIONS OF THIS STUDY

The current study has contributed to the body of family business research by focusing on selected marketing and branding practices adopted by family SMEs. First, the scales used to measure the selected marketing and branding practices under investigation in this study were sourced from existing studies. All the items loaded as expected. As such, the validity of the scales measuring these constructs was confirmed in the South African context. The scale used to measure *Perceived financial performance* has been used previously in South African studies (Farrington 2009:269; Matchaba-Hove 2013:46).

Second, given that no database on family SMEs operating in the Eastern Cape currently exists, this study has made a contribution to the creation of a database containing the names and contact details of family SMEs. This database could form the basis from which a probability sample can be drawn in future research and which will allow for easier access to family SME respondents.

Despite this ability to use the family subsystem as a marketing tool, research on marketing and branding practices among family businesses, specifically family SMEs, has largely been unexplored by researchers. Additionally, little is known about the premise of marketing and branding a business as family-owned, and how selected marketing and branding practices contribute to the financial performance of family SMEs operating in developing countries such as South Africa. As far as could be established by the researcher, no other study has investigated marketing and branding practices of family SMEs in South Africa. By investigating the levels of selected marketing and branding practices, and assessing the influence thereof on the *Perceived financial performance* of family SMEs, this study has contributed to the body of knowledge on marketing and branding practices adopted by family SMEs operating in South Africa.

The results of this study reported that *Product differentiation* influences the financial performance of family SMEs and that *Stakeholder perception* influences the use of “family” in
Promotion of family business and Family business image. Based on these findings, several practical recommendations and suggestions have been put forward in an attempt to assist family SME owners in adopting a Product differentiation competitive orientation to improve the financial performance and ultimately the longevity of their businesses. This study has also provided greater insights into the level of importance that family SME owners assign to their stakeholders knowing that they are a family business, and how they could use their family business status to project a family business image to stakeholders.

7.5 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

Although this study attempted to make several contributions to the body of knowledge relating to the marketing and branding practices of family businesses in general and family SMEs in particular, there are some limitations that should be taken into account. Several opportunities for future research are also presented.

With regard to the primary research conducted, the non-probability sampling techniques of judgement and convenience sampling were used. According to Struwig and Stread (2013:117), convenience sampling has several limitations, one of which is that it may lead to researchers investigating a sample that is less representative of the wider population. The sample selected for this study was limited to family SMEs operating in the Eastern Cape. As a result, the findings cannot be generalised to the entire South African family SME population. Based on the limited body of knowledge relating to the selected marketing and branding practices of family SMEs, it is recommended that future research attempts to include family SMEs throughout South Africa. In addition, future research should attempt to identify a database that will enable researchers to make use of probability sampling.

The research method used to collect the primary data for this study, namely a survey research method, also poses as a limitation in that surveys are prone to various errors. It is therefore recommended that future studies make use of other methods for examining marketing and branding practices among family businesses. These could include more in-depth interviews or personal interviews. A further limitation of this study is that the measuring instrument used was sourced from previous studies. The construct Customer service differentiation was not found to
be valid and could not be used in this study. Comparisons with existing studies are therefore not possible. Future studies should focus on improving the scale measuring Customer service differentiation.

The responses provided by respondents in this study were based on the individual responses of the family SME owners, which in turn is based on their own perception and self-reporting measures. As was previously mentioned, this introduces some degree of bias in the responses provided, which could ultimately influence the validity of the data (Kim & Kim 2013:1; de Jong 2010:42-44).

It is also recommended that future researchers undertake a longitudinal approach to studying marketing and branding among family businesses, especially in multi-generation family businesses where succession is expected to take place. This will allow researchers to uncover how generations (first and later generations) differ in their approach to family business marketing and branding.

A further limitation of this study is that it only investigated the influence of selected marketing and branding practices on the financial performance of family SMEs. Future studies could include investigating customer satisfaction as a mediating variable between selected marketing and branding practices and financial performance. As suggested by Pérez-Cabañero et al. (2012:133) marketing and branding practices could contribute to indirectly to the financial performance of a family SME through customer satisfaction. Another limitation of this study is that it evaluated the competitive orientations of family businesses using only one of Porter’s orientations, namely differentiation. Although differentiation was investigated from a customer and product perspective, it is recommended that future studies also include the low-cost and focused strategies because different industries require business to emphasise different competitive orientations.

Additionally, this study did not focus on one specific industry. The industry in which a business operates may influence its competitive approach, and also its approach to marketing and branding. For example, family businesses operating in the service sector will more likely undertake a Customer service differentiation competitive orientation, while family businesses operating in the technology sector will be required to emphasise a Product differentiation
competitive orientation. Therefore it is recommended that future research focuses on how family SMEs within different industries or sectors approach family business marketing and branding.

The ethnic affiliation of respondents should also be considered when interpreting the findings of this study. The majority of the respondents were from one ethnic group and the sample was thus not representative of all ethnic groups in South Africa. It is recommended that researchers who investigate the marketing and branding practices of family businesses attempt to provide a more equal ethnic and gender representation, and compare whether family business owners from different ethnic groups and genders have different approaches to family business marketing and branding. In addition, since most family business respondents were in their first generation, it is recommended that future researchers focus on second and later generation family businesses’ approach to family business branding to gain greater insight into how they leverage their family’s background and heritage in their marketing and branding practices.

Despite the increased need to study and contribute to the limited knowledge available on marketing and branding among family businesses, another limitation of this study is the fact that it focused on selected practices adopted by family SMEs only. For this reason, it is recommended that future research undertakes a broader approach to marketing and branding by including the marketing mix strategies in their investigation. Second, it is recommended that marketing and branding practices are also investigated from a large family business perspective. In addition, it is recommended that future research examines family business marketing and branding from a customer’s perspective (instead of from the family business owner’s perspective), in order to discover how customer perceptions of family businesses that market and brand themselves as family-owned, differ from customer perceptions of family businesses which do not use this marketing approach.

Despite the various limitations identified, the results of the current study make a contribution to the existing body of knowledge on the marketing and branding practices adopted by family SMEs in the Eastern Cape, and the influence of these practices on their Perceived financial performance.
From the investigation conducted, greater insights have been acquired into selected marketing and branding practices adopted by family SMEs operating in the Eastern Cape and the influence thereof on their Perceived financial performance. Based on the important social and economic contributions of both family and non-family SMEs to the South Africa economy and the positive influence of marketing on business success, it is extremely important to investigate selected marketing and branding practices that could improve financial performance. The findings of this study have shown that some of the marketing and branding practices investigated do indeed contribute to enhancing the financial performance of family SMEs. It is hoped that these findings will stimulate an interest in exploring the possibility of establishing a family business brand by marketing and branding family SMEs as family-owned, ultimately leading to increased longevity. In addition, it is hoped that the suggestions for future research will inspire future researchers to continue investigating the unique marketing and branding practices of family SMEs.
LIST OF SOURCES


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Botero, I.C. 2010. *Are family owned businesses taking advantage of their websites as strategic communication tools*. White paper series, Family Enterprise USA.


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ANNEXURE 1: THE QUESTIONNAIRE

Dear Respondent

Successful family businesses are intensely proud of their businesses and their families, with the majority reporting that they refer to themselves as a family business in their promotional materials. In addition, the majority also believe that family business branding helps differentiate them from competitors and improves their reputation with customers. Branding your business as a family business provide limitless value for connecting to stakeholders and for business success and family health. Against this background, the following research project is being undertaken:

Topic: Exploring selected marketing and branding practices of family businesses

The Aim: To gain greater insights into the selected marketing and branding practices of small and medium-sized family businesses operating within the borders of the Eastern Cape

Fieldworkers are required to gather the necessary information from the owner of a small or medium-sized family business. The business should have been in operation for at least one year and the owner must be actively involved in the daily running and managing of the business. For the purpose of this assignment a small or medium-sized business is one that employs more than five but fewer than 200 full-time employees and a family business is a business where at least two family members work in the business and the family owns more than a 50 per cent share in the business.

It would be greatly appreciated if you could respond to the following questions so as to assist in the completion of this project. The questionnaire should take about 15 minutes to complete. There are no right or wrong answers. Only your honesty and the perceptions you hold are important. All information will be treated in the strictest confidence and you are under no obligation to participate. Please note that the information obtained will be used for research purposes only. The final report will not include any identifying information. Please feel free to contact us with regards to any queries you might have. Your participation in the study will be most appreciated.

Yours faithfully

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Tel: +27 (0) 72 780 7864
### A GENERAL INFORMATION

Please mark your selection to the following questions with an (X).

1. Do you meet the requirements for participating in this research, namely (1) your business has been in operation for at least one year, (2) your business employs more than five but fewer than 200 full-time employees, (3) you are the current owner of the business and (4) you are actively involved in the daily running and managing of the business?

| Yes | 1 |
| No  | 2 |

1.2 A family business is a business where at least two family members work in the business and the family owns more than a 50% share in the business.

Is your business a family business? (If No you do not qualify to participate)

| Yes | 1 |
| No  | 2 |

1.2 If your answer is YES to question 1.2, please indicate which Generation ownership the family business. (If No you do not qualify to participate)

| First generation | I started the business | 1 |
| Second generation | My father/mother started the business | 2 |
| Third generation | My grandfather/grandmother started the business | 3 |
| Fourth generation | My great-grandfather/grandmother started the business | 4 |
| Other (Please specify) | | 5 |

2 Please indicate your gender

| Male | 1 |
| Female | 2 |

3 Please indicate to which age category you belong (for statistical purposes only)

| < 20 | 1 |
| 20 – 29 | 2 |
| 30 – 39 | 3 |
| 40 – 49 | 4 |
| 50 – 59 | 5 |
| 60 + | 6 |

4 Please indicate to which population group you belong (for statistical purposes only)

| Asian | 1 |
| Black | 2 |
| Coloured | 3 |
| White | 4 |
| Not willing to say | 5 |

5 Do you have a tertiary (post-matric) qualification?

| Yes | 1 |
| No | 2 |

6 How long have you been the current owner of your family business? ____________ years

7 How many full-time employees are currently employed in your family business? ____________ employees

8 Identify the nature of the industry in which your business operates. You may mark more than one industry.

| Retailing and/or Wholesaling | 1 |
| Manufacturing | 2 |
| Service industry | 3 |
| Other | 4 |
### B  CUSTOMER SERVICE DIFFERENTIATION

Below are several statements that describe the customer service differentiation of your family business. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th>Our family business distinguishes itself from other businesses by.....</th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>B1 Tight control of selling/general/administrative expenses.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>B2 Customer service (including after sales support).</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>B3 Innovation in marketing techniques.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>B4 Quick delivery and immediate response to customer orders.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>B5 Higher quality standards than competitors.</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### C  PRODUCT DIFFERENTIATION

Below are several statements that describe the product differentiation of your family business. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th>Our family business distinguishes itself from other businesses by.....</th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>C1 Developing/selling new products and/or services.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>C2 Developing/selling specialty products and/or services.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>C3 Upgrading existing products’ appearance and performance.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>C4 Investing in new R&amp;D facilities to gain a competitive advantage.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>C5 Emphasising products and/or services for high price market segments.</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
D  MARKETING

Please answer the questions below that relate to the marketing function in your family business.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D1</strong></td>
<td>Does your family business have a written market strategy?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>D2</strong></td>
<td>Do you have a separate department in this family business that deals with marketing only, i.e. deals with the promotion of your products/services and or communication with (potential) customers?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>D3</strong></td>
<td>Is the person responsible for marketing in your family business the owner or a family member of the owner?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>D4</strong></td>
<td>Does your family have a significant influence on the marketing strategy of the family business?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>D5</strong></td>
<td>Does your family business make use of external support for the development and implementation of its marketing strategy?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>D6</strong></td>
<td>Is the marketing strategy of the business based on the fact that the business is a family business?</td>
<td>Yes No</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D7</strong></td>
<td>Please indicate the percentage of turnover that your family business spends on marketing activities.</td>
<td>%</td>
</tr>
</tbody>
</table>

E  BRANDING OF THE FAMILY NAME

Please answer the questions below that relate to branding of the family name.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E1</strong></td>
<td>Does the family name (surname) appear in the name of the family business?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>E2</strong></td>
<td>Does the family name (surname) appear on the brands of the family business?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>E3</strong></td>
<td>Does the family name (surname) or other family-related elements appear in the logo of the family business?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>E4</strong></td>
<td>Does the history of the family business appear on the website of the family business?</td>
<td>Yes No</td>
</tr>
<tr>
<td><strong>E5</strong></td>
<td>Does the family name (surname) appear on the advertising material of the family business?</td>
<td>Yes No</td>
</tr>
</tbody>
</table>
### F  PROMOTION OF FAMILY BUSINESS

Below are several statements relating to the promotion of the family business. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th></th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>F1</td>
<td>The business is promoted as a family business to suppliers.</td>
</tr>
<tr>
<td>F2</td>
<td>The business is promoted as a family business to customers.</td>
</tr>
<tr>
<td>F3</td>
<td>The business is promoted as a family business to potential employees.</td>
</tr>
<tr>
<td>F4</td>
<td>The business is promoted as a family business to financiers.</td>
</tr>
</tbody>
</table>

### G  FAMILY BUSINESS IMAGE

Below are several statements relating to brand identity. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th></th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>G1</td>
<td>The fact that the business is a family business is included in advertising material (e.g. letterhead, website, vehicle signage).</td>
</tr>
<tr>
<td>G2</td>
<td>The marketing strategy of the business is based on the fact that the business is a family business.</td>
</tr>
<tr>
<td>G3</td>
<td>The family business name is recognised in the community.</td>
</tr>
<tr>
<td>G4</td>
<td>The family name is used as a brand when doing business.</td>
</tr>
<tr>
<td>G5</td>
<td>In advertisements, it is mentioned that the business is a family business.</td>
</tr>
<tr>
<td>G6</td>
<td>Most customers know that this is a family business.</td>
</tr>
<tr>
<td>G7</td>
<td>The fact that the business is a family business is a great marketing tool.</td>
</tr>
</tbody>
</table>
H  STAKEHOLDER PERCEPTION

Below are several statements relating to stakeholder perceptions of your family business. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th></th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>H1</td>
<td>Our customers think it is important that we are a family business.</td>
</tr>
<tr>
<td>H2</td>
<td>Our employees think it is important that we are a family business.</td>
</tr>
<tr>
<td>H3</td>
<td>Our suppliers think it is important that we are a family business.</td>
</tr>
<tr>
<td>H4</td>
<td>Our financiers think it is important that we are a family business.</td>
</tr>
</tbody>
</table>

I  FINANCIAL PERFORMANCE OF THE FAMILY BUSINESS

Below are a number of statements that relate to the financial performance of your family business. Please indicate (with an X) the extent to which you agree or disagree with each statement. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with the statement, and at the other end of the scale, 5 denotes strong agreement with the statement.

<table>
<thead>
<tr>
<th></th>
<th>Extent of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td>I1</td>
<td>My family business has experienced growth in employee numbers over the past two years.</td>
</tr>
<tr>
<td>I2</td>
<td>The financial wellbeing of my family business is secure.</td>
</tr>
<tr>
<td>I3</td>
<td>My family business has experienced growth in profits over the past two years.</td>
</tr>
<tr>
<td>I4</td>
<td>I regard my family business as being financially successful.</td>
</tr>
<tr>
<td>I5</td>
<td>My family business is profitable.</td>
</tr>
<tr>
<td>I6</td>
<td>My family business has experienced growth in turnover over the past two years.</td>
</tr>
</tbody>
</table>

THANK YOU VERY MUCH FOR YOUR PARTICIPATION
CONFIRMATION OF PARTICIPATION

In order to confirm your participation in completing this questionnaire, please complete the details below. Please note that if necessary these details will be used for following up on students to ensure the authenticity of the responses they have reported. These details will be kept separate from the questionnaires and will be held confidential. These details will also not be used for any marketing or other research purposes.

Name of the business: ___________________________________________________________

Address of the business: _______________________________________________________
_______________________________________________________
_______________________________________________________

Name of the owner: ___________________________________________________________

Telephone number: ___________________________________________________________

Email address: _______________________________________________________________

Or please place your business card or stamp here:


THANK YOU VERY MUCH FOR YOUR PARTICIPATION

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ANNEXURE 2: ETHICAL CLEARANCE

Please type or complete in black ink

FACULTY: Business and Economic sciences

SCHOOL/DEPARTMENT: Business Management

I, (surname and initials of supervisor) Prof S.M. Farrington,

the supervisor for (surname and initials of candidate) Richardson, B

(student number) 212217062

a candidate for the degree of Masters in Commerce


TBA Selected marketing and branding practices among small and medium-sized family businesses,

considered the following ethics criteria (please tick the appropriate block):

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?

2. Is the study based on a research population defined as ‘vulnerable’ in terms of age, physical characteristics and/or disease status?

2.1 Are subjects/participants/respondents of your study:

   (a) Children under the age of 18?
   (b) NMMU staff?
   (c) NMMU students?
   (d) The elderly/persons over the age of 60?
   (e) A sample from an institution (e.g. hospital/school)?
   (f) Handicapped (e.g. mentally or physically)?
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)  

3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?  

4. Will the participant's privacy, anonymity or confidentiality be compromised?  

4.1 Are you administering a questionnaire/survey that:  
(a) Collects sensitive/identifiable data from participants?  
(b) Does not guarantee the anonymity of the participant?  
(c) Does not guarantee the confidentiality of the participant and the data?  
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?  
(e) Will create doubt whether sample control measures are in place?  
(f) Will be distributed electronically via email (and requesting an email response)?

Note:  
- If your questionnaire DOES NOT request respondents' identification, is distributed electronically and you request respondents to return it manually (print out and deliver/mail); AND respondent anonymity can be guaranteed, your answer will be NO.  
- If your questionnaire DOES NOT request respondents' identification, is distributed via an email link and works through a web response system (e.g. the university survey system); AND respondent anonymity can be guaranteed, your answer will be NO.

Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

SUPERVISOR(S)

HEAD OF DEPARTMENT

STUDENT(S)

Student(s) contact details (e.g. telephone number and email address):

072 780 7864 - 8212217062@live.nmmu.ac.za

Please ensure that the research methodology section from the proposal is attached to this form.

23/07/2015

23/07/2015

15/06/2016

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