

Comparative analysis of the role of strategic orientation, strategic performance metric focus and strategic audacity in driving firm performance: family businesses vs nonfamily businesses

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Abstract

Purpose – As family and nonfamily businesses differ in how they do business, the focus of this manuscript is on understanding how strategy-level models can be misinterpreted if family involvement is not considered. Thus, in this manuscript, the focus is on understanding the extent to which strategic orientations (market orientation and technology orientation, which reflect strategic approach), strategic performance metric focus (financial-based, optimization-based and market-based, which reflect strategy evaluations) and strategic audacity (which reflects boldness in envisioning and delivering strategic outcomes) play a role in driving firm performance – in family businesses vs nonfamily businesses. Understanding how these drivers impact performance differently in family vs nonfamily businesses enables companies to better direct their strategic efforts.

Design/methodology/approach – After presenting theoretical concepts, authors use regression analysis on a sample of companies in a developing European Union (EU) country ($n = 282$) to evaluate the impact of strategic orientation, strategic performance metric focus and strategic audacity on firm performance separately in three samples: the full sample (consisting of both family and nonfamily-owned firms), sample of family businesses and the sample of nonfamily businesses.

Findings – The role of strategic orientation, strategic audacity and focal goals in driving firm performance differs depending on the company type (family vs nonfamily). In the case of nonfamily businesses, strategic audacity and technology orientation with the focus on efficiencies and markets are driving firm performance. In the case of family businesses, both market and technology orientation are important drivers of performance; the focus on financial and market indicators of performance is positively impacting performance, while the focus on efficiency indicators is diminishing the performance of family businesses. Thus, results show that of the performance drivers for family businesses, some are insignificant (strategic audacity), while some even have a negative impact (focus on optimization-based measures of performance) on family businesses' performance. Moreover, results show that some of the drivers of performance in case of family businesses (market orientation and focus on financial-based measures of performance) are not drivers of outstanding performance in the case of nonfamily businesses.

Practical implications – Best practices differ for family vs nonfamily businesses. In case of family businesses, comparing them to nonfamily businesses, market orientation and the focus on financial-based measures of performance have a greater impact on firm performance, while, at the same time, family businesses should refrain focusing on pursuing optimization-based measures of performance as such pursuit drives down their performance. Understanding the drivers of performance specific to family businesses will enable such firms to better navigate contexts characterized by ambiguity and uncertainty.



Originality/value – The manuscript evaluates how models, generally researched in the overall firm metrics, differ between family businesses and nonfamily businesses, thus delivering new insights into the important marketing concepts.

Keywords Strategic orientation, Market orientation, Technology orientation, Strategic audacity, Strategic performance metric focus, Family businesses

Paper type Research paper

1. Introduction

Family businesses present a high proportion of businesses in the global economy (Neubauer and Lank, 2016; Chua *et al.*, 2003; Gersick *et al.*, 1997) – important as a source of job and wealth creation (Randerson *et al.*, 2015). They are recognized as a vital part of national economies around the world (Songini and Gnan, 2015) and are even predominant organizational forms across several geographical regions (Penco *et al.*, 2020; Sacristan-Navarro and Cabeza-Garcia, 2020). Due to their importance in the global economy and their specificities, family businesses are continuously in the focus of scholars, practitioners and policymakers (Rashid and Ratten, 2020).

Although the literature calls for further clarification and a more precise definition of family businesses (Mendez and Maciel, 2021), family business definitions generally share the common idea of family ownership and longevity of family involvement with the firm. When looking from the perspective of future of a firm, family business can be defined as a business which is owned and governed by members of the same family with the aim of sustaining the business across generations (Chua *et al.*, 1999). When considering a firm's past, a family business can be defined as a firm in which one or more family members, who have family ties to the founding family, hold a substantial ownership stake (Heck and Trent, 1999; Gómez-Mejía *et al.*, 2007). Therefore, for the purpose of this paper, family business is defined as a firm in which a family holds substantial firm ownership and influence over the firm across generations.

Family in a family business is not inert. It is highly involved in strategic decisions (Chrisman *et al.*, 2005) and is a strong determinant of firm distinctiveness through vision, strategy and culture (Penco *et al.*, 2020). Family involvement in business can vary. Following this idea, familiness, coined by Habbershon *et al.* (2003) as the resources and capabilities related to family involvement, can be seen as the set of human elements (reputation and experience), organizational elements (decision-making and learning) and relational elements (relationships and networks) (Irava and Moores, 2010). It can also be seen as a multidimensional construct, characterized by a structural dimension (social interactions and networks), a cognitive dimension (shared vision and purpose, as well as unique language, stories and culture) and a relational dimension (trust, norms, obligations and identity) (Pearson *et al.*, 2008). Due to their family involvement, family businesses tend to act differently than nonfamily businesses (Iaia *et al.*, 2019; Adams *et al.*, 1998). Therefore, familiness implies significantly different approach to running family businesses (as compared to nonfamily businesses); thus, it is important to consider how models which explain firm performance differ for family businesses vs nonfamily businesses.

Moreover, the literature recognizes the importance of socioemotional wealth (SEW) for family businesses as firms are influenced by owners' tendency to maximize their SEW, defined as “non-financial aspects of the firm that meet the family's affective needs” (Gómez-Mejía and Herrero, 2022; Palaić and Smajić, 2021; Gómez-Mejía *et al.*, 2007; Berrone *et al.*, 2010). SEW has been recognized to influence family business decision-making in a diverse set of decisions: acquisitions, diversification, divestitures, internationalization and innovation (Brigham and Payne, 2019; Gómez-Mejía and Herrero, 2022). In family businesses, owners tend to prioritize SEW over the pursuit of economic goals (Gómez-Mejía *et al.*, 2010), except

when a family's financial future is threatened (Gómez-Mejía *et al.*, 2018). Therefore, SEW plays an important role in family businesses, while having a negligible role in the context of nonfamily businesses. Thus, in addition to the familiness, SEW is another reason for considering how models which explain firm performance differ for family businesses vs nonfamily businesses.

In general, the literature recognizes that family businesses are characterized by unique resources and capabilities – creating prerequisites for unique source of competitive advantage, derived from the interaction between family and business (Habbershon and Williams, 1999; Habbershon *et al.*, 2003). They are characterized by unique family sub-systems (Pieper and Klein, 2007) and are influenced by family experiences, perspectives and values (Zellweger *et al.*, 2013; Williams *et al.*, 2019). Family businesses generally have strong culture, shared values and common goals (Basco, 2013). Family businesses represent a set of values, symbols and traditions, which are shaped by the family origins and the local specificities and family reputation in their location of origin (Georgiou and Vrontis, 2013; Gallucci and Nave, 2012). These are generally intrinsic and implicit and thus difficult to imitate (Dess and Shaw, 2001). The values generally associated with family businesses include long-term orientation, focus on reputation, community connections, integrity and continuity, employee relationships, etc (Iaia *et al.*, 2019; Le Breton-Miller, 2005; Donnelley, 1988). However, family businesses can also be faced with some weaknesses like “nepotism, resistance to change, low professionalization level” (Basco, 2013, p. 44) and the focus on maintaining the status quo of the family businesses, thus making it rather resistant to innovation and change (Naldi *et al.*, 2007). Therefore, models should be separately examined for family businesses vs nonfamily businesses.

Due to such specificities of family vs nonfamily businesses, especially at the strategic levels of decision-making (Iaia *et al.*, 2019), in this paper, the focus is on understanding the extent to which strategic orientations (market orientation and technology orientation, which reflect strategic approach), strategic performance metric focus (financial-based, optimization-based and market-based, which reflect strategy evaluations) and strategic audacity (which reflects boldness in envisioning and delivering strategic outcomes) play a role in driving firm performance – in family businesses vs nonfamily businesses. Firm performance reflects firm success, accounting for different dimensions of performance and accounting for industry specificities (Im and Worman, 2004). Thus, in this paper, we measure firm performance in terms of return on investment, revenues and profits in comparison to competitors' performance. Comparison to competitors' performance accounts for industry specificities and differences in industry-level variables. Lagged performance accounts for causal effects of strategic variables. While most research generally focuses only on one aspect (strategic orientation, strategic audacity or strategic performance metric focus), each of these different strategic aspects might play a different role in driving firm performance across different contexts (Frösén *et al.*, 2016); thus, they are included in models for each of the samples.

2. Literature review and hypotheses

2.1 Strategic orientation

Strategic orientation, as an important firm capability, is one of the key drivers of firm performance (Gatignon and Xuereb, 1997). It can be defined as a firm's philosophy of how to conduct business which grounds on values and beliefs that a firm follows in order to achieve superior performance (Zhou *et al.*, 2005; Gatignon and Xuereb, 1997). Other authors similarly define strategic orientation as a “direction and culture adopted by the firm to conduct business and gain a competitive advantage” (Zhani *et al.*, 2021, p. 725). In the context of family businesses, strategic orientation influences how family businesses do business to drive performance (Penco *et al.*, 2020).

Research has shown that an organization can have multiple strategic orientations with varying degrees and that optimal strategic orientation depends on the context, such as the environment (Ozturan *et al.*, 2014; Frösén *et al.*, 2015; Wu *et al.*, 2018; Irun *et al.*, 2020) and organizational specificities (Rnadhawa *et al.*, 2021; Dong *et al.*, 2016; Morgan and Anokhin, 2019). Therefore, as family businesses exhibit specificities in comparison to nonfamily businesses, optimal strategic orientation is likely to differ between the two.

In this paper, the focus is on two strategic orientations which reflect how the business can approach performance – market orientation and technology orientation (Leng *et al.*, 2015). Technology orientation is seen to reflect technology-push philosophy and implies focus on state-of-the-art technologies and delivering radically novel products, while market orientation reflects demand-pull philosophy and implies the focus on better satisfying customer needs, both expressed and latent (Zhou *et al.*, 2005). Thus, technology orientation implies that a firm has an inside-out approach focusing on its internal capabilities to deliver superior value, while market orientation implies that a firm has an outside-in approach, focusing on deeply understanding the customer and delivering value rooted in customer expectations. These two strategic orientations “are not mutually exclusive and that it is common for firms to engage in multiple sets of behaviors simultaneously” (Olson *et al.*, 2005, p. 52). In that sense, a firm can simultaneously pursue an outside-in and inside-out approach to addressing business challenges in varying degrees (Leng *et al.*, 2015).

Ever since market orientation was conceptualized and provided managers with a framework for managing sustainable competitive advantage (Kumar *et al.*, 2011), firms have increasingly been recognizing customers as kings and asserted customer centricity as their key value. Market orientation implies an outside-in approach and “is the central element of the management philosophy based on the marketing concept [...] [which is] presumed to contribute to long-term profitability” (Deshpandé and Farley, 1999, p. 112). Market orientation implies thorough understanding of present and future customers and thus is an important determinant of a firm performance (Frösén *et al.*, 2015). Market orientation can be defined from two distinct, yet interrelated perspectives: from activity perspective and behavioral perspective. From the activity perspective, market orientation is defined as “the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it” (Kohli and Jaworski, 1990). From the behavioral perspective, dimensions of market orientation construct encompass customer orientation (the sufficient understanding of one’s target to be able to create superior value for them continuously), competitor orientation (a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors) and interfunctional coordination (the coordinated utilization of company resources in creating superior value for target customers) (Narver and Slater, 1990).

Although recognized for its positive impact on performance, market orientation is sometimes criticized that focusing on customer needs might reduce a company’s ability to create radical technological innovations (Bennett and Cooper, 1979; Christensen and Bower, 1996; Heyes and Abernathy, 1980), thus leading to more exploitative innovations and incremental product improvements (Morgan and Berthon, 2008), which are more closely linked to fulfilling customer needs (Kim *et al.*, 2013; Rivas and Wu, 2019). To respond to criticism that market orientation leads to only incremental innovation, Narver *et al.* (2004) have differentiated between responsive market orientation, which responds to expressed customer needs, and proactive market orientation, which addresses latent customer needs (operationalized as the willingness of a company to search for unexpressed customer needs). Jaworski *et al.* (2000) have made a distinction between market-oriented firms which are market-driven, i.e. those which merely respond to customer expectations, and market-driving firms, i.e. those which proactively shape market realities.

Thus, while market orientation is generally considered to have a positive impact on firm performance (see [Jaworski and Kohli, 1993](#); [Narver and Slater, 1990](#)), it can be argued that family businesses tend to rely more on links to the market and community and thus rely more than nonfamily businesses on their market orientation ([Iaia et al., 2019](#); [Tokarczyk et al., 2007](#); [Craig et al., 2008](#)). On the other hand, nonfamily businesses tend to have more specific desired outcomes, generally financial, than the family businesses, which might also strongly target non-financial outcomes ([Williams et al., 2019](#)), including knowing and deeply understanding the customer ([Craig and Moores, 2005](#)). Therefore, nonfamily businesses can rely more on product superiority and can expect markets to adjust to their offering rather than crafting their offering for specific consumer preferences. Such approach, where they are not focused on the market but on their product superiority, requires significant audacity to pursue such a daring strategy. However, the literature generally posits a positive relationship between market orientation and firm performance. Thus, we hypothesize that

H1a. Market orientation has a positive impact on firm performance in case of family businesses.

H1b. Market orientation has a positive impact on firm performance in case of nonfamily businesses.

Unlike market orientation, which can be considered an outside-in approach, technology orientation is an inside-out approach in business. Technology orientation reflects the technology-push philosophy where a firm advocates a commitment to research and development (R&D), the acquisition of new technologies and the application of the latest technologies ([Narver et al., 2004](#); [Zhou et al., 2005](#); [Gatignon and Xuereb, 1997](#); [Mandal, 2018](#)). Such an orientation is more likely to drive exploration and radical innovations ([Rivas and Wu, 2019](#)). “A technology-oriented firm seeks to acquire substantial technological knowledge and uses it in the development of innovative, technologically superior products” ([Zhani et al., 2021](#), p. 728). Technology orientation leads to innovations which either enable product performance enhancements through product innovation ([De Luca and Atuahene-Gima, 2007](#)) or enable the reduction of costs through optimization resulting from process innovations ([Tushman and Anderson, 1986](#)). Technology-oriented firms focus on developing and implementing new technologies and do not put consumer preferences in focus ([Kim et al., 2013](#)). Thus, such firms are likely to develop new products that often cannot fit current consumer cognitive schemas, thus requiring market changes. Since technology orientation implies a firm’s ability to deliver superior products ([Zhani et al., 2021](#)), although it might be challenging for family businesses to adopt, develop and implement the technologies in the time of crisis, delivering competitive products to the market is paramount for business performance ([Polat, 2021](#)). Thus, we hypothesize that

H2a. Technology orientation has a positive impact on firm performance in case of family businesses.

H2b. Technology orientation has a positive impact on firm performance in case of nonfamily businesses.

2.2 Strategic audacity

Firm strategic audacity is defined as the extent to which a firm is likely to be bold and daring in carrying out its strategic direction. Audacious companies, and their audacious leaders, have persevered beyond numerous hurdles and reason-based explanations to deliver on their strategic goals ([Cardon et al., 2005](#)). Such audacious companies have reshaped existing and created new industries; have redefined how to do business and some of them have become

some of the most valued companies in the world, with their audacious leaders being top of the Forbes's richest person lists.

Strategic audacity can be evaluated on a continuum with different individuals and different firms exhibiting varying levels of audacity. Firm strategic audacity implies that it is in its every pore to pursue a daring goal and to try to overcome conventional approaches. Such firms are not interested in being market followers but are striving to outperform others and be market drivers. Such firms are likely to pursue more challenging goals, invest more in higher-risk-higher-potential-gain strategies that will enable it to stand out and extract extra returns.

Strategic audacity is generally characterized by a passionate pursuit of meaningful goals, grounded in devotion and enthusiasm for the company and its success (Chen *et al.*, 2009). Audacious entities accept greater risks in pursuit of their belief (Cardon *et al.*, 2009) and are more likely to discover complex patterns in pursuit of opportunities and benefit from them (Baron and Ward, 2004). Audacious entities have a desire to create something great that will have an undeniable impact on society and "create history" (Ma and Tan, 2006).

Strategic audacity implies the extent to which a firm is strongly pursuing daring strategies, which is inherently risky and often cannot be immediately linked to the performance. While strategic audacity generally will yield greater performance, in case of family businesses, such strategies often lack the required level of professionalization (Polat, 2021; Chua *et al.*, 2009; Dyer, 1989), which limits their ability to deliver desired positive outcomes. On the other hand, in nonfamily businesses, strategic audacity can be executed by a professional team to manage its risks and drive performance. Therefore, we hypothesize that

- H3a.* Strategic audacity does not have an impact on firm performance in case of family businesses.
- H3b.* Strategic audacity has a positive impact on firm performance in case of nonfamily businesses.

2.3 Strategic performance metrics focus

Strategic performance metrics focus implies the extent to which a firm relies on different metrics to evaluate its performance. Strategic performance metrics focus presents a formal management tool for planning and evaluating the extent to which a firm achieved a set of predetermined goals (Rust *et al.*, 2004; Stewart, 2009; Frösén *et al.*, 2016). It can be seen as a more formal specification of a firm's focus, complementing a firm's strategic orientation (Frösén *et al.*, 2016). Literature has shown that how firms measure performance, i.e. assess the desired outcomes, is vital for their success (Venkatraman and Ramanujam, 1986) as metrics which are in the focus influence decision-makers and employees to steer behaviors toward driving focal outcomes (see Fishbein and Ajzen, 1975). In that sense, although action tends to arise from intent, the literature recognizes that the focus on a goal and goal achievement are not the same (Williams *et al.*, 2019).

Therefore, strategic performance metric focus can influence a firm's actions and thus can be seen as an important determinant of organizational performance, with an impact that can vary across contexts (Frösén *et al.*, 2016). Firms tend to adopt different strategic foci in order to drive their competitive advantage, with two primary options: external focus on creating differentiated value for the market or internal focus on cost optimization and pursuit of efficiencies in all parts of a value chain (Porter, 1980, 1985). While financial metrics are often considered important, performance metrics can focus on diverse goals, such as financial goals (e.g. revenues and profits), market goals (e.g. market share) and optimization goals (e.g. cost and efficiencies), accounting for idiosyncratic nature and heterogeneity of pursued outcomes (see Williams *et al.*, 2019).

Family businesses are especially interesting as they often focus on metrics beyond financial goals (Gómez-Mejía and Herrero, 2022; Chua *et al.*, 2012; Williams *et al.*, 2019). Economic objectives tend to exhibit importance when a family's financial welfare is in danger (Gómez-Mejía and Herrero, 2022), but such objectives are neither the only desired outcomes nor are they even the primary ones (Williams *et al.*, 2019; Holt *et al.*, 2017; Astrachan and Jaskewicz, 2008). While for nonfamily businesses, financial performance focus is paramount, for family businesses, it is often neither the only nor the primary focus (Williams *et al.*, 2019). Therefore, for nonfamily businesses, the focus on financial performance is a norm; such businesses and their management tend to continuously formally evaluate and maximize financial performance (see Kolstad, 2007). As financial performance maximization is a norm, nonfamily firms tend to have high-enough focus on financial-based measures of performance. Thus, mere focus on financial-based measures of performance cannot yield additional positive effects on performance. On the other hand, in the case of family businesses, the focus on financial performance is not the norm for all such firms (see Gómez-Mejía and Herrero, 2022); thus, those firms which are professionalized to develop financial focus and control mechanisms are likely to exhibit greater performance (Polat, 2021; Hiebl and Mayrleitner, 2019; Howorth *et al.*, 2016; Chua *et al.*, 2009). Therefore, we hypothesize that

H4a. The focus on finance-based performance measures has a positive impact on firm performance in case of family businesses.

H4b. The focus on finance-based performance measures does not have an impact on firm performance in case of nonfamily businesses.

The focus on optimization-based performance measures implies the internal focus on cost optimization and pursuit of efficiencies in all parts of a value chain. Such an approach is generally recognized to enable firms to sell quality-equivalent offerings at lower prices than rivals, thus driving performance (e.g. Conner, 1991; Posner, 1979). Its benefits arise as a result of lowering firm costs via learning effects (e.g. Amit, 1986; Halebian *et al.*, 2006). In case of family businesses, the focus on other goals, such as socio-emotional wealth, may create and maintain inefficiencies (Mendez and Maciel, 2021). By focusing on optimization-based performance measures, family businesses could improve efficiencies, but possibly at a cost of pursuit of socio-emotional wealth, as one of their unique sources of competitive advantage. Therefore, family businesses focusing on optimization-based performance measures could simultaneously have a positive impact on performance through cost minimization, while simultaneously diminishing performance by not utilizing their unique source of competitive advantage for value creation. Thus, in case of family businesses, focusing on optimization-based performance measures is not likely to have a significant impact on their performance. On the other hand, nonfamily businesses have a primary responsibility to shareholders to maximize financial performance (see Kolstad, 2007), which implies optimizations and ensures efficiency. Nonfamily businesses, unlike family businesses, are likely not to exhibit value from pursuing non-efficient goals, such as socio-emotional wealth. Thus, their focus on optimizations is likely to result in greater firm performance. Therefore, we hypothesize that

H5a. The focus on optimization-based performance measures does not have an impact on firm performance in case of family businesses.

H5b. The focus on optimization-based performance measures has a positive impact on firm performance in case of nonfamily businesses.

Firms tend to use market-based measures (such as, e.g. market share) as important measures of performance (Bhattacharya *et al.*, 2022; Farris *et al.*, 2010; Katsikeas *et al.*, 2016). The focus on market-based performance measures implies simultaneous understanding of customers and competitors (see Kohli and Jaworski, 1990) and how the company is performing in

comparison to competitors competing in the same market and/or competing within the same industry. These market-based measures can differ across industries. Regardless of the actual market-based measure, such measures provide information of market performance in comparison to competition (e.g. in beverage industry, one of the market-based measures is “share of a throat”, in retail “share of wallet”, etc). Such comparisons provide an important perspective on the performance results and thus are important for understanding past successes, as well as thinking about future expectations. Even if a firm might not be market-oriented, its focus on understanding and tracking its market performance (e.g. “share of consumer minds”), relative to competitors, is important for better steering company toward better performance. Such measures ensure continuous benchmarking against competitors’ actions, ensuring better firm performance. Therefore, we hypothesize that

H6a. The focus on market-based performance measures has a positive impact on firm performance in case of family businesses.

H6b. The focus on market-based performance measures has a positive impact on firm performance in case of nonfamily businesses.

3. Methodology and empirical results

Data were collected using web-based surveys. Links to the web survey were e-mailed to knowledgeable informants (owners, chief executive officers (CEOs) and executive directors) in companies with more than five employees in a developing European Union (EU) country drawn from the Amadeus database, during a period of global crisis, which implies a context of ambiguity, uncertainty and volatility (Rashid and Ratten, 2020). A total of 282 high-quality responses were received, after excluding (1) incomplete responses, (2) responses that were completed in a significantly shorter time than it took the test respondents (showing that respondents did not devote enough attention to the task) and (3) responses by incompetent respondents (Homburg and Jensen, 2007). In the sample, 59.6% of companies are family businesses, which are somewhat more present in business-to-consumer (B2C) markets (mean difference = 0.422; sig = 0.002) and equally producing products and delivering services (mean difference = 0.208; sig = 0.179). 40.4% of the companies in the sample are nonfamily businesses, which are somewhat more B2C focused (sig = 0.080) and slightly more focused on services (sig = 0.027).

To measure constructs, where possible, we used existing measures from the literature refining them to fit the purpose. Data on average variance extracted (AVE) and Cronbach alpha show good convergent validity for all latent variables (Hair *et al.*, 2010) – market orientation ($\alpha = 0.894$; AVE = 0.619), technology orientation ($\alpha = 0.889$; AVE = 0.771), strategic audacity ($\alpha = 0.837$; AVE = 0.610) and firm performance ($\alpha = 0.897$; AVE = 0.740). Discriminant validity of latent variables was assessed using Fornell–Larcker criterion, where inter-construct correlations were lower than square root of AVE, thus implying good discriminant validity (Hair *et al.*, 2010). Data on composite reliability (CR) shows good construct reliability for all latent variables (Hair *et al.*, 2010) – market orientation (CR = 0.918), technology orientation (CR = 0.913), strategic audacity (CR = 0.884) and firm performance (CR = 0.919). In addition to assessing the validity and reliability of scales, we checked for common method bias and multicollinearity (with VIF < 3 in accordance with Hair *et al.*, 2010) (see Table 1).

Market focus (B2B vs B2C), offer focus (product vs service) and firm size have been used as control variables in all models. Analyses were run separately on the full sample of companies (models 1, 2, 3 and 4), on the sub-sample of nonfamily businesses (models 5, 6, 7 and 8) and the sub-sample of family businesses (models 9, 10, 11 and 12). Model 1 ($R^2 = 0.003$; sig = 0.866), model 5 ($R^2 = 0.026$; sig = 0.414) and model 9 ($R^2 = 0.022$; sig = 0.322) include only control

Latent variables	Factor loadings	Cronbach alpha	AVE	CR
<i>Market orientation</i>				
MKT_ORIENTATION_A	0.796	0.894	0.619	0.918
MKT_ORIENTATION_B	0.850			
MKT_ORIENTATION_C	0.811			
MKT_ORIENTATION_D	0.837			
MKT_ORIENTATION_E	0.802			
MKT_ORIENTATION_F	0.792			
MKT_ORIENTATION_G	0.591			
<i>Technology orientation</i>				
TECH_ORIENTATION_A	0.804	0.889	0.771	0.913
TECH_ORIENTATION_B	0.938			
TECH_ORIENTATION_C	0.907			
TECH_ORIENTATION_D	0.857			
<i>Strategic audacity</i>				
STRAT_AUDACITY_A	0.557	0.837	0.610	0.884
STRAT_AUDACITY_B	0.705			
STRAT_AUDACITY_C	0.831			
STRAT_AUDACITY_D	0.893			
STRAT_AUDACITY_E	0.869			
<i>Firm performance</i>				
FPERF_GROWTH	0.877	0.897	0.740	0.919
FPERF_INNOVATION	0.843			
FPERF_PROFIT	0.874			
FPERF_ROI	0.846			

Fornell–Larcker criterion

	Firm performance	Market orientation	Technology orientation	Strategic audacity
Firm performance	0.860			
Market orientation	0.400	0.787		
Technology orientation	0.443	0.545	0.878	
Strategic audacity	0.422	0.475	0.490	0.781

Note(s): Diagonal displays the square-root of AVE and interconstruct correlations are off-diagonal

Table 1.
Latent variable measures

variables (market focus, offer focus and firm size). Model 2 ($R^2 = 0.199$; sig = 0.000), model 6 ($R^2 = 0.272$; sig = 0.000) and model 10 ($R^2 = 0.183$; sig = 0.000) focus on the impact of strategic orientations on firm performance. Model 3 ($R^2 = 0.233$; sig = 0.000), model 7 ($R^2 = 0.362$; sig = 0.000) and model 11 ($R^2 = 0.191$; sig = 0.000) also take strategic audacity of the firm into account. Lastly, model 4 ($R^2 = 0.296$; sig = 0.000), model 8 ($R^2 = 0.432$; sig = 0.000) and model 12 ($R^2 = 0.287$; sig = 0.000) are the most comprehensive and also include strategic performance metrics focus (focus on finance-based measures of performance, optimization-based measures of performance and market-based measures of performance) (see Table 2).

Regarding the role of market orientation on performance, when the full sample is analyzed (models 2–4), market orientation exhibits a significant and positive impact in all cases – in model 2 ($\beta = 0.235$; sig = 0.001), model 3 ($\beta = 0.176$; sig = 0.012) and model 4 ($\beta = 0.122$; sig = 0.082). Regarding the role of market orientation on performance, when the sub-sample of family businesses is considered, market orientation also exhibits a significant and positive impact in all cases – in model 10 ($\beta = 0.245$; sig = 0.003), model 11 ($\beta = 0.230$; sig = 0.005) and model 12 ($\beta = 0.198$; sig = 0.018). However, when the subsample of nonfamily businesses is

Table 2.
Regression results

	Full sample			Non-family businesses			Family businesses					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Constant	0.035 (0.191)	0.002 (0.173)	-0.006 (0.170)	-0.942*** (0.294)	-0.042 (0.048)	0.038 (0.385)	-0.077 (0.338)	-0.998* (0.509)	-0.014 (0.232)	-0.123 (0.217)	-0.132 (0.217)	-0.949* (0.361)
Market focus (B2B vs B2C)	0.020 (0.028)	0.009 (0.025)	-0.001 (0.025)	0.002 (0.024)	0.030 (0.052)	0.025 (0.046)	-0.003 (0.044)	-0.026 (0.043)	0.008 (0.032)	-0.002 (0.029)	-0.005 (0.030)	0.007 (0.029)
Offer focus (product vs service)	-0.003 (0.024)	-0.019 (0.022)	-0.018 (0.021)	-0.008 (0.020)	0.051 (0.041)	0.021 (0.037)	0.013 (0.034)	0.019 (0.034)	-0.026 (0.029)	-0.031 (0.027)	-0.028 (0.027)	-0.022 (0.026)
Firm size	-0.024 (0.038)	0.013 (0.035)	0.025 (0.035)	-0.033 (0.036)	-0.089 (0.080)	-0.072 (0.072)	-0.013 (0.069)	-0.028 (0.066)	0.061 (0.048)	0.110** (0.046)	0.113** (0.046)	0.027 (0.050)
Market orientation		0.235*** (0.069)	0.176** (0.069)	0.122* (0.070)		0.216* (0.119)	0.027 (0.122)	-0.046 (0.120)		0.245*** (0.080)	0.230*** (0.081)	0.198** (0.082)
Technology orientation		0.286*** (0.066)	0.214*** (0.068)	0.179*** (0.066)		0.388*** (0.110)	0.286*** (0.107)	0.188* (0.108)		0.199** (0.079)	0.163* (0.084)	0.157* (0.082)
Strategic audacity			0.220*** (0.064)	0.202*** (0.063)			0.459*** (0.119)	0.436*** (0.115)			0.089 (0.073)	0.069 (0.072)
Focus on financial-based measures of performance				0.086* (0.048)				-0.088 (0.082)				0.192*** (0.056)
Focus on optimization-based measures of performance				-0.003 (0.045)				0.129* (0.076)				-0.098* (0.052)
Focus on market-based measures of performance				0.140*** (0.038)				0.189*** (0.071)				0.105** (0.044)
F-test	0.243	13.000***	13.395***	12.253***	0.961	7.913***	9.924***	8.614***	1.174	6.890***	6.003***	6.715***
R ²	0.003	0.199	0.233	0.296	0.026	0.272	0.362	0.432	0.022	0.183	0.191	0.287
R ² change	0.003	0.196***	0.034***	0.064***	0.026	0.246***	0.090***	0.070***	0.022	0.161***	0.008	0.067***

Note(s): Dependent variable: Firm performance I Table displays beta coefficients (standard errors) I * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

considered, market orientation is significant in model 6 ($\beta = 0.216$; sig = 0.073), which only takes into account strategic orientations, but it loses significance when strategic audacity is introduced in the model 7 ($\beta = 0.027$; sig = 0.825; VIF = 1,930) and remains insignificant in the model 8 ($\beta = -0.046$; sig = 0.701). Therefore, in nonfamily businesses, strategic audacity enables organizations to deliver great performance, based on pursuit their inside-out strategies, without a need for the outside-in approach facilitated by market orientation. This provides an interesting finding that even though most studies combined the sample of family and nonfamily businesses (including this one – models 1–4), market orientation has a significant positive impact on firm performance; once family businesses are taken out of the sample, market orientation may lose significance in driving firm performance for firms that exhibit strategic audacity to pursue the inside-out approach. Therefore, while H1a is accepted, H1b is partially accepted in the sense that when only strategic orientations are considered (model 6), market orientation has a positive significant impact on firm performance; while when strategic audacity and strategic performance measure focus are considered (models 7 and 8), market orientation does not exhibit a significant impact on firm performance.

Regarding the role of technology orientation on performance, when the full sample is analyzed (models 2–4), technology orientation exhibits a significant and positive impact in all cases – in model 2 ($\beta = 0.286$; sig = 0.000), model 3 ($\beta = 0.214$; sig = 0.002) and model 4 ($\beta = 0.179$; sig = 0.007). Regarding the role of technology orientation on performance, when the sub-sample of family businesses is considered, technology orientation also exhibits a significant and positive impact in all cases – in model 10 ($\beta = 0.199$; sig = 0.013), model 11 ($\beta = 0.163$; sig = 0.056) and model 12 ($\beta = 0.157$; sig = 0.057). Regarding the role of technology orientation on performance, when the sub-sample of nonfamily businesses is considered, technology orientation also exhibits a significant and positive impact in all cases – in model 6 ($\beta = 0.388$; sig = 0.001), model 7 ($\beta = 0.286$; sig = 0.008) and model 8 ($\beta = 0.188$; sig = 0.085). Therefore, hypotheses H2a and H2b are accepted.

Regarding the impact of strategic audacity on performance, when the full sample is analyzed (models 3–4), strategic audacity exhibits a significant and positive impact in all cases – in model 3 ($\beta = 0.214$; sig = 0.002) and model 4 ($\beta = 0.179$; sig = 0.007). Regarding the role of strategic audacity on performance, when the sub-sample of nonfamily businesses is considered, strategic audacity also exhibits a significant and positive impact in all cases – in model 7 ($\beta = 0.459$; sig = 0.000) and in model 8 ($\beta = 0.436$; sig = 0.000). Therefore, hypotheses H2a and H2b are accepted. Regarding the role of strategic audacity on performance, when the sub-sample of family businesses is considered, strategic audacity does not exhibit a significant impact – neither in model 11 ($\beta = 0.089$; sig = 0.228) nor in model 12 ($\beta = 0.069$; sig = 0.333). Therefore, in family businesses, strategic audacity is not significantly linked to firm performance, implying that in order to enhance performance family companies do not need to pursue daring strategies but rather they can focus deeply on their competences and their links to the market. Thus, hypotheses H3a and H3b are accepted.

Regarding the role of strategic performance metric focus on performance, when the focus on finance-based performance measures is considered, the results show that when the full sample is analyzed (model 4), a firm focusing on finance-based measures of performance will significantly and positively impact firm performance ($\beta = 0.086$; sig = 0.076). Similarly, when the sub-sample of family businesses is considered (model 12), the impact is positive and significant ($\beta = 0.192$; sig = 0.001). However, when the sub-sample of nonfamily businesses is considered (model 8), the focus on finance-based measures of performance does not lead to greater performance ($\beta = -0.088$; sig = 0.286). This provides an interesting finding that while the focus on finance-based measures of performance is beneficial for family businesses' performance, it is a mere cost of competing for nonfamily businesses. Thus, hypotheses, H4a and H4b are accepted.

When the focus on optimization-based performance measures is considered, the results show that when the full sample is analyzed (model 4), the impact of focusing on optimization-based measures of performance on performance is insignificant ($\beta = -0.003$; sig = 0.076). However, when the sub-sample of family businesses is considered (model 12), the impact is negative and significant ($\beta = -0.098$; sig = 0.062), implying that the focus on optimization-based measures limits the family business in driving high performance outcomes. On the other hand, when the sub-sample of nonfamily businesses is considered (model 8), the focus on optimization-based measures of performance leads to a better firm performance ($\beta = 0.129$; sig = 0.090). This provides an interesting finding that while the focus on optimization-based measures of performance is beneficial for nonfamily businesses' performance, it is detrimental to performance of family businesses. Moreover, separating the sample into nonfamily and family businesses yielded much more insightful results than running the analysis on the overall sample. Following onto such results, hypotheses H5a are rejected, and H5b is accepted.

When the focus on market-based performance measures is considered, the results show that the impact is significant and positive for all samples – the full sample (model 4; $\beta = 0.140$; sig = 0.000), sub-sample of nonfamily businesses (model 8; $\beta = 0.189$; sig = 0.009) and sub-sample of family businesses (model 12; $\beta = 0.105$; sig = 0.018). Therefore, hypotheses H6a and H6b are accepted.

4. Discussion

Results indicate that strategy-level drivers of performance (strategic orientation, strategic audacity and focal goals) exhibit different roles in family vs nonfamily businesses. Therefore, when the overall sample is considered (without considering firm type – family vs nonfamily business), variables' roles might be misinterpreted. This primarily relates to (1) market orientation, which exhibits a significant impact on performance in the full sample, while having an insignificant impact in the sample of nonfamily businesses and significant impact in the sample of family businesses; (2) strategic audacity, which exhibits a significant impact on performance in the full sample, while having a significant impact in the sample of nonfamily businesses and insignificant in the sample of family businesses; (3) the focus on financial-based measures of performance, which exhibits a significant impact on performance in the full sample, while having an insignificant impact in the sample of nonfamily businesses and a significant impact in the sample of family businesses and (4) focus on optimization-based measures of performance, which exhibits an insignificant impact on performance in the full sample, while having a significant positive impact in the sample of nonfamily businesses and a significant negative impact in the sample of family businesses.

In the case of nonfamily businesses, the key drivers of firm performance are strategic audacity, technology orientation and focus on efficiencies and markets as performance metrics. These variables enable nonfamily businesses to create prerequisites for outperforming their competitors. On the other hand, in the case of nonfamily businesses, market orientation and focus on financial-based measures of performance have no significant effects. The importance of markets for performance is primarily via the focus on market-based metrics of performance rather than market orientation (as strategic orientation). This implies that nonfamily businesses do not exhibit deep focus on customer well-being, but only through tracked performance metrics, unlike in case of family businesses which are keen on building their SEW, for which market orientation and how family business treats its customers is highly relevant. Regarding the focus on financial-based measures of performance, nonfamily businesses do not focus on SEW, thus making focus on financial-based measures as their primary focus. Therefore, as all such companies focus

on financial-based measures of performance, it is a condition sine qua non of how they do business rather than the driver of superior performance.

In the case of family businesses, both market and technology orientation are important drivers of performance, implying that, in case of family businesses, the strategic orientation of the firm on markets (i.e. customers and competitors) and on technologies yields superior performance, beyond the mere focus via metrics of performance. However, in addition to the strategic orientation, the focus on market indicators of performance is additionally positively impacting performance. Similarly, the focus on financial measures of performance provides family businesses with better focus on economic performance metrics (beyond SEW), thus enabling them to drive superior performance to their competitors. On the other hand, the focus on optimization-based measures of performance is detrimental to the performance of family businesses as it implies removing all inefficiencies (e.g. lower salaries, lower investments in the local community, etc), which limits the ability of family business to deliver on SEW as an important value of family businesses.

Therefore, the best practices differ for family vs nonfamily businesses. In case of family businesses, comparing them to nonfamily businesses, market orientation and focus on financial-based measures of performance has much greater impact on firm performance, while, at the same time, family businesses should refrain focusing on pursuing optimization-based measures of performance, as such pursuit drives down their performance.

5. Conclusions

This paper focused on analyzing how drivers of firm performance play different roles in different contexts – the full sample (including both family and nonfamily businesses), sub-sample of family businesses and sub-sample of nonfamily businesses. It indicates that by focusing on an overall sample, results might be misleading for determining the key drivers of performance. Specifically, while some variables (technology orientation and the focus on market-based measures of performance) proved to have a positive and significant impact on firm performance in all samples, other variables' impact varied across samples. This provides theoretical contributions to (1) understanding how the role of market orientation differs for nonfamily vs family businesses, in the sense that family businesses tend to deliver value via deep care about the customers, while nonfamily businesses tend to care about the customers via market-based performance metrics they focus on; (2) understanding how the role of strategic audacity differs for nonfamily vs family businesses, in the sense that family businesses tend to extract value from less audacious strategies which maximize their SEW, while nonfamily businesses tend to benefit from devising and implementing a more daring strategies; (3) understanding how the focus on performance metrics differs for nonfamily vs family businesses, in the sense that for nonfamily businesses focus on optimization and market metrics delivers superior results, while for family businesses, the focus on financial and market metrics is beneficial, with the focus on optimization-based measures being detrimental to their performance.

Market orientation, although having a positive effect on the overall sample, in a more detailed analysis showed that while it is crucial for driving performance of family businesses, it can be deemed unimportant in the case of nonfamily businesses if they base their strategy on the inside-out approach and have a strategic audacity to pursue and execute daring strategies. This implies the importance of building close relationships with the market for family businesses and grounding competitive advantage in deeper understanding and responsiveness to market expressed and latent needs. Strategic audacity is more important for performance of nonfamily businesses. Audacious strategies imply greater risk and thus in case of family businesses, not only are they not beneficial for firm performance but audacious strategies might put multiple generations at risk of losing the accumulated family wealth and possibly reputation.

Strategic performance metric focus plays an important role in firm performance, but with different impacts on the overall sample, sub-sample of family businesses and sub-sample of nonfamily businesses. In the overall sample, the focus on finance-based and market-based measures of performance is positively impacting performance, while the focus on optimization-based measures has an insignificant impact. However, when sub-samples are analyzed, results show that, in case of nonfamily businesses, the focus on finance-based performance measures is a mere cost of competing, while the focus on optimization-based and market-based measures of performance yields positive impact on firm performance. On the other hand, in the case of family businesses, close attention should be paid to both finance-based and market-based performance measures as they drive superior performance, while the focus on optimization-based performance measures diminishes family business performance.

Therefore, in order to drive their performance, especially in the context of high ambiguity and high uncertainty, family businesses should avoid audacious strategies and focus on building their technological capabilities and close relationships with the markets. In tracking and adjusting their strategies and activities, they should not focus on optimization-based metrics, which might steer them in a wrong directing and rather should focus on metrics that reflect financial results and market results. Such focus enables them to further understand the customer and continuously ensure financial well-being of the company.

The findings of this study have to be seen in light of some limitations. The sample was collected in only one developing EU country. Future research could analyze the role of strategic orientations, foci and audacity in other countries with different context characteristics. Also, the survey was e-mailed to a set of knowledgeable respondents from companies in the Amadeus database; of which, some decided to participate in the survey which could imply a possible selection bias. To test for response bias, we tested for differences between companies which responded vs those which have not and found no significant differences in terms of size, industry and performance metrics. Future research could also analyze the mechanisms through which strategic orientation and focus on performance metrics interact to impact firm performance. Moreover, future research in general could analyze the well-established models and variables, which were not considered separately in the family vs nonfamily sub-samples of companies, as research shows in some contexts family and nonfamily businesses do not significantly differ (see *Knezović et al., 2018*), while in others, the difference is paramount for a more fruitful understanding of how drivers of performance differ for family businesses which account for over 70 of world-wide gross domestic product (*De Massis et al., 2018; King et al., 2022*).

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