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Impact of Family Involvement and Longevity Goals on Small Family Firm Performance in Southern Punjab, Pakistan

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ABSTRACT

This study is designed to find out the effect of family long-term goals on family firms' performance in the underdeveloped region of Pakistan. The study addressed two research questions: how does family participation in management affect the performance of family firms? Does there exist moderation between family long-term goals and family participation in management and the effect on the performance of the family firms? Data was collected from 137 very small and small family firms of the southern Punjab (Pakistan). We used partial least square regression to determine the moderating role of family longevity goal in firm performance. Results showed that there was no significant direct impact of family participation in management on firm performance. However, the effect of family longevity goals was significant and positive (0.20) on family firm's performance. Relationship between performance of family firms and family participation in management (0.17) depends on family longevity goals implying that family firms can contribute better in business performance.

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1. Introduction

Family businesses are enjoying unusually higher level of public trust among their employees (Griffin & Youm, 2023). Such businesses have received attention of academic researchers more than three decades ago (Pelzmann-Knafl & Winkler, 2017). Family involvement further becomes an important research part of the academic studies on family businesses. Family involvement can be of four types namely representation in board of directors, ownership, family managers and family CEOs (Chen, Gray, & Nowland, 2013). Family businesses are considered the most important source of growth and economic development of a country. Such businesses have become more central in developing and developed economies where family businesses including small, medium and large dominate (Colli, 2002). Literature shows the importance of family firms even in the developed countries such as Australia where there are 25% public companies and more than 80% of private companies are family controlled (Baring, 1992). In UK, the family business sector is estimated to have generated £1.3 trillion in turnover in 2014 (IFB Research Foundation Report 2015). (Lee, 2006) argues that family firms are mainly small and sole proprietorships but their involvement is also present in large public companies. Example from rapidly growing developing economy is India where 90% of India's industrial output comes from family run businesses. Family owned businesses are playing very crucial role in Pakistan's economy. Almost eighty percent of total listed firms on Karachi Stock Exchange have family immersion or associated with large firms indirectly (Zaidi & Aslam, 2006).

Some studies indicate that family participation in management is related negatively with research and development investment even in high tech firms (Wang, Xu, & He, 2022). It may be possible that such firms lack family longevity goals and future perspectives, rather emphasizing short run benefits. However, Barros-Contreras et al. (2023) and Rosecká and Machek (2023) argue that the influence of family has positive effect on the formation of family social capital and organizational effectiveness of the firms. Further family firms are considered lower propensity to downsizing when such firms are territorially embodied (Amato et al., 2023). Relationship between earning quality and family status is also established in the literature (Mengoli, Pazzaglia, & Sandri, 2020). In spite of huge research work on family business and the role of family engagement in management, mostly the research studies have focused European countries, North America, and China (Kowalewski, Talavera, & Stetsyuk, 2010). Family involvement in managing family business can be different in different economies/region of the world, due to different culture, level of development and institutional characteristics. This can be the reason that findings of the studies on family involvement in management (FIM) and the effect on family business performance are inconclusive. Some studies show a positive effect of FIM on firm performance (Anderson & Reeb, 2003); others indicate a negative impact (Westhead & Howorth, 2006) and some studies find no association (Villalonga & Amit, 2006). Family longevity goals play a critical moderating role in the firm performance. Ignoring family longevity goals in the family business studies can provide misleading findings. There are two competing theories followed in the family business studies; agency theory and stewardship theory which explain the connection among FIM and firm performance (Kim & Gao, 2013). Agency problems arise when the interest of principal and agent diverge or family manager's aspirations and goals clash with family business and owners (Bosse & Phillips, 2016). In contrast, stewardship is an alternative perspective which posits that family managers will subordinate their interest against collective interest of family business.

1.2. Research questions

Inconclusive results in literature on family firm business and family engagement in management imply the demand for new studies to be taken addressing socio-economic differences and moderating role of family longevity goals. However, very little research work is available in the context of the developing countries in general and Pakistan in particular. In Pakistan, a few studies are available on this issue conducted in the big cities such as Karachi. Further, such studies ignore the moderating role of family longevity goals in the firm performance and management. Based on the above discussion, the present study considers two research questions. First, with theoretical and empirical contradiction in mind, the study examines whether FIM increases or decreases performance of family firms? Second, is the relationship among FIM and firm performance depends on a firm's family longevity goals?

The present study has contributions in the literature in different ways. First, the study includes family longevity goals as the moderating variable in the perspective of developing countries. Second, the study has considered an emerging economy-Pakistan for research in family business, because of the limited research on family firms in Pakistan (Abdullah, Shah, Gohar, & Iqbal, 2011). Although some studies are available focusing on Pakistan, these studies are mainly limited to the big cities such as Karachi and ignore the less developed regions e.g. Southern Punjab where traditions and customs are totally different from the big cities. Further, mostly firms are of subsistence nature and FIM dominates. The study adopted subjective approach in order to consider the view-points of the owners and it increased the significance of the study. Self-reported measures of performance are familiar in the previous studies, but these are not considered in Pakistan. The use of this approach is also important because collection of data through objective measures of performance is difficult and there is also a strong correlation between subjective and objective performance measures (Dillman, 1978).

The composition of the paper is as follows. Next section follows the literature related to FIM, family longevity goals, and family firms' performance and hypothesis development. Then the paper describes the research methodology employed to test the hypothesis. Limitations of the study and conclusions are given in the last two sections.

2. Hypotheses of the study

2.1. Family participation in management and performance of the family firms

Loyalty, strong social networks, financial and cognitive characteristics, physical, human and financial capital are of prime importance for family firms to prefer family members for senior management positions (Danes et al., 2009). Members of a family participating in management can be offspring of a couple, in-laws and others. This is referred as FIM (Astrachan, Klein, & Smyrnios, 2002). FIM is important factor to affect performance but Gibb Dyer (2006) notes that many previous studies fail to get sufficient results due to lack of control on some potential factors that also influence the business performance. The literature shows two competing theories. These theories namely agency theory and stewardship theory describe the relation between FIM and the performance of the firms. Agency theory is an idea to explain the relationship between two parties (principals and agents) in business, provided by (Jensen & Meckling, 1976). Davis, Schoorman and Donaldson (1997) discussed that owners of the firms become principals when they contract with executives to supervise or manage their firms for them. Further agency theory's concept is explained by Schulze et al. (2001) which pointed out that the principal-self-interested individual hand over authority relating to some decisions to another agent.

As Gibb Dyer (2006) suggests that family factors contribute in lower agency cost because of alignment of agent-principal goals, shared values among family members and high trust. All this results in lower agency cost performance of firm. In family firms, members have different reasons to share idea between one another, which can be helpful in reduction of agency problems or cost (Fama & Jensen, 1983). Nevertheless, in several studies agency problem/cost is highlighted (Chrisman, Chua, & Litz, 2004). According to classical agency concept if the both parties utility function match, there is no agency issue, but issues can emerge when their utility contradicts (Davis, Schoorman, & Donaldson, 1997). It is possible that both parties (principal and agent) have different goals or interest. Bosse and Phillips (2016) argue that self-interested characteristics of both agent and principal lead to the problem when they have divergent interests. Family factors can be the reason of higher agency cost due to different rationales; opportunism, shrinking, and poor selection because of altruism relationship (Gibb Dyer, 2006). Agency problem arises by reason of moral hazard and adverse selection, principal selects an agent who is non-committed and less capable than expectation (Chrisman, Chua, & Litz, 2004). Many studies show that stewards are intrinsically motivated and their socio-emotional involvements in family business became of the reasons of collective good for their firms (Miller & Le Breton-Miller, 2006). In addition, family ties and emotions intrinsically motivate family managers regarding non-economic interest, which actually enlarge their stewardship stance and align their goals and interests (Kim & Gao, 2013). Abdullah, Shah, Iqbal and Gohar (2011) find out the effect of associated-firm's ownership on the performance of firms in Pakistan.

It can be concluded that stewards have not required needs of survival, but these needs are meet. Steward theory implies that stewards are of the view that their personal needs are fulfilled if organizational objectives are met (Tosi et al., 2003). The pro-organizational behavior of stewards intended to maximize firm's performance (Corbetta & Salvato, 2004). In the businesses, theories namely agency theory and stewardship theory are widely used to find out the impact of relationship between owners and management regarding firm's performance. However, behaviors of actors are different in both theories. Society can be strong factor to create a family organizational structure in developing countries namely Pakistan (Ghani & Ashraf, 2005) and Thailand (Wiwattanakantang, 2001). In these countries, family marriages with the same caste, religions, communities and kinship are common. Almost the same culture in Pakistan prevails where religion, caste, and family connections are very important to determine outlook and hierarchy of firms Khan and Khan (2011). Especially in Pakistan people are residing in combined families and follow Islamic ideology; in which they obey their parents and people also like to hire their own family members because of interests, trusts and associations. Based on the above discussion, we assume that family managers are loyal and committed with the interest of organizations and owners. Furthermore, family managers will behave as steward in the family business concern. Considering differences in nature of businesses, culture, traditions and regional characteristics, we consider that family participation in management plays crucial role in firm performance in the less developed area of Pakistan.

H_1: A positive relationship exists between family participation in management and the performance of the firms.

2.2. Family-longevity goals and impact on firm performance (FLGs)

Family firms make efforts to preserve their families through some inherent goals and these goals are referred as family longevity goals. Chen, Gray and Nowland (2013) argue that family firms are heterogeneous considering goals, motivation and goals. Most of the family business owners consider their business as the mean of income for their family's survival, so there is great motive for the owners to keep their business a live in long term through their descendants (Subhani & Mikušová, 2024). Based on contingency theory, family participation in management has greater impact on performance and it can be influenced by family longevity goals as well. Family members use full energy and commitment for progressing of firms (Ward, 2016). Under the concept of Confucian, family participants are considered important because of strong loyalty and responsibility towards family and family firms (Yan & Sorenson, 2006). Thus, family participants work for long hours, doing multiple tasks without compensation in order to attain family longevity goals. In return, family firms perform better due to untired efforts and commitment of family participants in management. Based on these facts, we develop following hypotheses

H_2**:** Relationship between family longevity goals and the performance of the firms is positive
H_3: There is a relationship between family participation in management and firm performance and this relationship becomes stronger in the presence of higher support of family longevity goals and this relation is weaker when this type of support is not higher.

2.3. Impact of firm characteristics on performance of family firms

Firms invest in order to maximize profit and ultimately to increase welfare of owners of the firms. All this seems impossible without better performance of the firms. However, there is lack of agreement on the measures of performance due to its complex and multidimensional nature (Venkatraman & Ramanujam, 1986). Literature shows mixed findings on performance of family firms. One reason can be the use of adopting inconsistent measures. Some of those measures are return on investment and Tobin's (Anderson & Reeb, 2003) return on capital, earnings per share and return on assets (Filatotchev, Lien, & Piesse, 2005). However, confining the complexity and diversity of performance were ignored. Kim and Gao (2013) address this by using both financial (ROI, market share and sales growth) and non-financial measures namely operational efficiency and product/service quality for measuring performance of the firms. In the present study, we used this performance complexity with some modification as organizational culture and existing environment are different. Although family participation in management is important factor to affect performance but Gibb Dyer (2006) find that results of the previous studies are not consistent due to ignoring the effect of potential control factors on performance of the firms. Such factors include age of the firm its size, industry and firm location. Firm size shows total number of employees and it can be taken as control variable (Love, Priem, & Lumpkin, 2002). Type of industry is another control variable having the effect on performance of family firms (Kim & Gao, 2013). Firm age can be measured in years since firm operating. Firm age is used to capture the variations in competitiveness over time and resultant effect on the performance (Lee, 2006).

H_4: Characteristics of the firm have the impact on the performance

3. Data and Source

Southern Punjab of Pakistan is the least developed part of Punjab province. This part of the province is mainly characterized as dominant agro-based business activities. Vehari district is chosen for the present study. It is located in the center of southern Punjab with dominant agro-business activities. Vehari Chamber of Commerce and Industry (VCCI) is one of the emerging chambers in southern Punjab. The objectives of the chamber are to promote and protect interest of commerce, trade and industry. Vehari Chamber of Commerce and Industry helps to resolve problems and it is also helpful to issue certificate of origin, recommendation letters for visa and passport, etc. VCCI has registered firms/business from all three tehsils of Vehari district. The present study used the list of firms/businesses registered with VCCI to select firms/businesses for the present study. From the list of firms/businesses registered with VCCI, we selected 137 family firms including small and medium family firms randomly. Since large firms are very few, we focused on small and medium firms/businesses in the present study. Family firms located in Vehari, Burewala and Mailsi were selected. We considered firms/businesses owned and managed by family or family clans as family business (Litz, 1997). We contracted owner-managers for getting filled questionnaires. These managers were directly responsible for their decision in business. Mostly firms in the study area are managed by above 50% of top management from family. Before starting formal interview, we confirmed whether the firm was owned and managed by family or family clan. In case of positive response, further procedure of data collection was started. Data was collected through a well-defined questionnaire adopted from Kim and Gao (2013) with little modification. Questions relating to performance of the firms were subjective in nature. The respondents were asked to rate the firm return on investment against industry average of the last year. Another measure used to find out the performance of the firm was sales growth. We asked the respondents to rate the firm sales growth against industry average of the last year. Considering family longevity goals, following questions were asked: a) your family firm is supporting family's financial security goals (construct strong financial strategy to protect finance) and b) your family firm is supporting family's longevity for long time survival. The 5 point Likert Scale was employed where one was used for very low and 5 for very higher for all the above questions.

3.1. Empirical methods and description of variables

To achieve objectives of the study, we used multiple regressions analysis. We measured performance of the firms by considering two variables namely returns on investment (ROI) and sales growth. Separate multiple regression analyses were used for ROI and sales growth. For each measure of performance of firms, three regression models were employed. General form of regression analysis is given below.

$$Y(FP) = \alpha_0 + \alpha_1(FG) + \alpha_2 X + e \quad (1)$$

Equation 1 shows the effect of control variables along with family longevity goals on performance of family firms. $Y(FP)$ shows measures of performance of family firms. FG indicates family longevity goal. X is a vector of control variables. $\alpha's$ are unknown parameters to be estimated. e is usual error. Next, we are interested to see the effect of family participation in management on performance of firms. Equation 2 is used to see this relation.

$$Y(FP) = b_0 + b_1(FIM) + b_2 X + e \quad (2)$$

Here FIM represents family participation in management in the firms. $b's$ are unknown parameters to be estimated. All other variables are the same defined above. Equation 3 is used to determine the effect of independent variable i.e. FIM and moderating variable on performance of family firms.

$$Y(FP) = \lambda_0 + \lambda_1(FIM^*FG) + \lambda_2 X + e \quad (3)$$

Where FIM^*FG shows interaction term of family participation in management and family longevity goals of family firms. λ's are unknown parameters. All other variables are defined earlier. We used t-test to determine significance of individual coefficients. Validity of model was examined through F-test. Similarly R^2 explains the proportion of the variation in dependent variable due to explanatory variables. Subjective valuation approach was used to measure two financial measures i.e. ROI and sales growth following (Kim & Gray, 2008) and (Love, Priem, & Lumpkin, 2002). We asked the respondents to provide rating of performance of their firms while considering the last year of their respective industry average. Five point scales were used to measure performance of the firms. The scale ranged from 1 to 5 where 1 indicated “very low” and 5 for “very high” performance of the firms. A value of 0.90 of Cronbach’s alpha (composite performance index) shows reliability of performance measures.

We asked the respondents whether a firm was management by family members or clans for estimating FIM. We considered top management positions in the firms filled from within family or from outside family. We followed Kim and Gao (2013) who considered family participation in management as a proportion of all senior positions held by family management. Family longevity goals variable is considered to be moderator in the present study. We measured it through asking the respondents to rate how much the firm supported family longevity goals. These goals include longevity and financial security of family. Five points scale was used where “1” denoted not at all/very low and “5” indicated very high as was done by (Dunn, 1995). We also considered control variables affecting firm performance. These variables included firm size, firm age, industry and firm location. Size of firm was measured by number of employees. Firm age is also important factor affecting firm performance because of learning experience over time. Number of years was used to measure the age of the firm. Type of industry and location of firm were taken as dummy variables. Firm located in Vehari city was taken as zero and it was taken as one if firm was located outside Vehari city. Type of industry variable was dummy variable and it was taken as one if firm was involved in manufacturing activities and zero for else.

4. Results

This section describes results into two subsections. First section is devoted to details of characteristics of family firms. We divided the selected firms into two types. First type includes all firms with family participation in management of less than 100%. Family firms with 100% family participation in management make the second type. Characteristics of the selected firms are compared on the basis of these two types. In second subsection, econometric results are given.

4.1. Characteristics of family firms

Comparative statistics of family firms are given in Table 1. Family firms with below 100% FIM have 3.53 mean value of performance whereas mean score for firms with 100% FIM is 3.59. Difference between mean score is not too high. Mean value of family longevity goals measured using five-point scale is 4.22 for firms with below 100% FIM and 4.36 for firms with 100% FIM. On average, firms with below 100% FIM sell 1.96 products whereas number of products sold by firms with 100% FIM are 1.76. Firm size is measured by number of employees involved in firms. On average, 13.43 employees are engaged in firms with below 100% FIM and this number is 22.29 for firms with 100% FIM. Age of firms with 100% FIM is 21.67 years and age of counterpart firms is 18.17 years. Hence firms with FIM 100% are older than firms with FIM below 100%. Selling products in Vehari city is more common among firms with below 100% FIM compared to firms with 100% FIM. Higher percentage of firms with 100% FIM (91%) is involved in manufacturing products than firms with below 100% FIM (18%). Around 86% of firms with 100% FIM are located outside Vehari city compared to 60% of their counterpart group.

Table 1: Summary statistics of characteristics of family firms

VARIABLES	FIM below 100%	FIM by 100%
	Mean (St. deviation)	Mean (St. deviation)
Firm performance (Likert scale)	3.53 (0.72)	3.59 (0.58)
Family longevity goals (Likert scale)	4.22 (0.64)	4.35 (0.74)
Number of products firm is selling	1.96 (0.99)	1.76 (0.99)
Firm size (No. of employees)	13.43 (20.38)	22.29 (16.46)
Firm age (year)	18.17 (15.88)	21.67 (14.41)
Selling products in Vehari city	77.6%	47.6%
Manufacturing industry (yes=1)	18.1%	90.5%
Firm located outside Vehari city (yes=1)	59.5%	85.7%

Table 2: Characteristics of firm management executives

VARIABLES	FIM below 100%	FIM by 100%
	Mean (SD)	Mean (SD)
Whether CEO is a family member? (Yes=1)	1.00	1.00
Age of CEO (year)	45.86 (11.26)	54.62 (11.43)
Education of CEO (schooling year)	12.59 (2.85)	11.43 (2.89)
Experience of CEO (year)	16.61 (11.95)	22.43 (12.01)
Whether vice CEO a family member? (Yes=1)	0.46 (0.50)	1.00
Age of vice CEO (year)	35.64 (9.95)	39.38 (9.86)
Education of vice CEO (schooling year)	12.83 (2.58)	13.14 (2.49)
Experience of vice CEO (year)	10.17 (7.20)	12.76 (7.65)
Whether CFO is a family member? (Yes=1)	0.97 (0.15)	1.00
Age of CFO (year)	43.96 (11.13)	49.52 (9.05)
Education of CFO (schooling year)	12.58 (2.82)	11.43 (2.89)
Experience of CFO (year)	15.21 (10.62)	21.19 (10.91)
Is head of production a family member? (Yes=1)	0.23 (0.42)	1.00
Age of head of production (year)	43.81 (12.42)	48.14 (11.10)
Education of head of production (schooling year)	12.07 (2.74)	11.81 (3.07)
Experience of head of production (year)	14.81 (9.27)	19.76 (10.85)
Is head of marketing a family member? (Yes=1)	0.41 (0.49)	1.00
Age of head of marketing (year)	42.10 (11.77)	41.00 (9.34)
Education of head of marketing	12.23 (2.92)	13.05 (2.65)
Experience of head of marketing (year)	14.23 (9.40)	13.57 (8.76)
Is head of HRM a family member? (Yes=1)	0.98 (0.13)	1.00

Age of head of HRM (year)	44.51 (10.70)	49.86 (8.54)
Education of head of HRM (schooling year)	12.56 (2.85)	11.71 (2.96)
Experience of HRM (year)	15.76 (11.58)	22.52 11.57)

Table 2 shows characteristics of executives involved in managing firms. Age, education and experience of executives are considered in this study and comparison is made between firms with below 100% FIM and firms with 100% FIM. Both types of firms are managed by chief executive officer (CEO) and this position is filled from family clan or family members. Although age of CEO is higher for firms with 100% FIM, schooling years of CEO is relatively higher for firms with below 100% FIM compared to firms with 100% FIM. In case of vice CEO, firms with below 100% FIM fill this position from family members or family clan. Age, education and experience of vice CEO is less as well from firms with 100% FIM. Chief financial officer (CFO) is an important position in firms after CEO because all financial matters are handled by CFO. We find that 97% firms with below 100% FIM fill this position from family members. Education (schooling years) of CFO is higher among firms with below 100% FIM than firms with 100% FIM. Similarly head of human resource management (HRM) position is filled by family members among firms with below 100% FIM. Production and marketing positions in family firms with below 100% FIM are largely possessed by outside family members in firms with below 100% FIM.

4.2. Results of econometric models

Results of all three models are given in Table 3. The effect of control variables on performance of family firm is demonstrated by Model 1. Model 2 shows the direct effect of FIM on performance whereas interaction effect of FIM and FG on firm performance is represented by Model 3. Table 3 shows that value of R^2 in Model 1 is 8%. F statistics indicates that overall regression model is statistically different from zero. Out of five explanatory variables, only two variables are statistically significant. Manufacturing industry has a negative and statistically significant impact on performance of the firms. Family longevity goals variable is positive and statistically different from zero at 1% level of significance. Model 2 illustrates that there is no direct effect of FIM on performance of family firms, thus rejecting hypothesis that firm performance and FIM are positively related. Model 3 shows that value of R^2 is 8%, implying that explanatory variables explain variation in firm performance by 9%. F statistics confirms that overall regression model is statistically fitted to data. Results show that there a positive and significant interaction effect of FIM and FG on firm performance. This result supports second hypothesis i.e. supporting the moderating effect of FG on FIM-family firm relationship. Supporting the hypothesis demonstrates that the relationship between FIM and firm performance is stronger when a family firm has higher support for family longevity goals. There can be a weaker relationship if family firm has lower support for FG. Among control variables included in the model, we find that manufacturing industry variable is statistically significant. This variable is negatively related with firm performance. All other control variables don't influence performance of family firms in the present study.

Table 3: Estimates of multiple regression models

Variables	Model 1	Model 2	Model 3
	Coefficients (St. error)	Coefficients (St. error)	Coefficients (St. error)
Firm size	0.05 (0.06)	0.04 (0.06)	0.04 (0.06)
Firm age	0.08 (0.06)	0.06 (0.07)	0.05 (0.06)
Location of the firm	0.14 (0.12)	0.11 (0.13)	0.09 (0.12)
Manufacturing industry	-0.20 (0.10)**	-0.24 (0.11)**	-0.29 (0.11)***
FG	0.21 (0.08)***	0.20 (0.09)**	
FIM		0.36 (0.46)	
FG*FIM			0.17 (0.07)**
R^2	0.08	0.09	0.08
F-statistics	2.47**	2.15**	2.38**
Observations	137	137	137

5. Discussions

The present study was conducted in Vehari district, being among the least developed districts of Pakistani Punjab. Family traditions, customs and less developed business practices shape hierarchy of business management. So it provides interesting evidence relating to situation where firms are not developed and the local chamber is making efforts to boost advances in firm management. Like other developing countries, family businesses are the most familiar type of business institutes in the study area in particular and Pakistan in general. Distinctive characteristics of family businesses lie in high levels of belief, confidence and commitment, resulting in superior efficiency and higher profitability compared to non-family businesses. This is the reason that we find high concentration of family members involved in firm management in the present study. Further, small firms dominate in the study area and owners are reluctant to hire employees outside family members/relatives. However, family participation in firm management is also associated with potential conflicts among family and businesses in the long-run. Potential conflicts can influence performance of firms adversely Villalonga and Amit (2006) and Lee (2006). No direct effect of family participation in management on firm performance in the present study can be supported by previous studies Kim and Gao (2013) and Daily and Dollinger (1992) and Villalonga and Amit (2006). This may be due to the fact that with the advances and access to new technology, firms are increasingly shifting to new era where personal economic interests are getting importance. Growing competition and advances in technology are paving the way for changes for family firms. Firm managers are offsetting traditional norms and values in order to compete in rapidly changing market environment. However, top positions of majority of firms in the present study are occupied by family members and relatives. Lude and Prügl (2018) argued that consumers weigh more brand trust if communication is of family firm in nature. This shows that family firms are still largely perceived more authentic in terms of brand trust and authenticity (Griffin & Youm, 2023). Thus, research on family firms has received great attention particularly relating to marketing and innovation in the recent time. Some of examples include (Binz et al., 2013; Gallucci, Santulli, & Calabrò, 2015; Hauck & Prügl, 2015; Kraiczy, Hack, & Kellermanns, 2014).

Family longevity goals of family firms are important for shaping the future direction of businesses. Positive and significant interaction effect of FG and FIM implies that family longevity goals influence decisions and direction of decisions made by family firms (Chrisman, Chua, & Litz, 2004) and firms lending greater support for family longevity goals perform better as a result of family participation in management. Cultural situation and norms of family firms in Pakistan are cited the reasons for positive interaction effect of FG and FIM. Developing countries including Pakistan are characterized by joint family system where parents, grandparents, uncles, aunties and lot of cousins live together and family members jointly run the firms. In joint family system, elders have greater degree of respect among family members and their decisions relating to business carry high weightage and value due to their experience and leadership role. Family goals defined by elders for boosting family business are made based on experiences of the elders. In the present study, experience and education of top management is enough to run family firms at the small scale. Since the sample included mostly small and medium firms, it seems that experience and education of top position holders can be sufficient for managing family firms. In the presence of strong family attachments, it looks that family members involved in firm management would be sitting in late hours for accomplishing family longevity goals as the level of commitment, planning and trust are driving forces. All this affects performance of family firms. Finding of the study is also supported by González-Cruz and Cruz-Ros (2016); Kim and Gao (2013) and González-Cruz and Cruz-Ros (2016) who argue that the effect of FIM on firm performance is contingent as there is greater support for family longevity goals. Another study by Williams et al. (2018) shows that family firm goals affect strategy, family and organization behavior. Further, positive interaction effect of FG and FIM implies that family plays an important role in uplifting business activities in Pakistan as it is an important unit of society and organization. Choi et al. (2015) find that owners of family firms increase investment in research and development in order to achieve family goals and exploit growth potential opportunities. In the presence of weak or no family firm goals, there could be little investment in research and development activities. Contrary to this study, Yang et al. (2019) show a negative relationship between family firms and investment in research and development particularly in the presence of high technological and governmental policy turbulences. Although the present study provides evidence on the role of family participation in management and its effect on firm performance, future research should consider large sample size of family firms for better understanding family businesses in the context of a developing country. Expanding such type of research to other developing economies will be helpful for validating of findings and recognizing family participation effect in family firms. The present study focuses on family firms only while ignoring non-family firm and firms operating in the more developed part of Pakistan. Inclusion of those firms in future research would add interesting findings in the literature.

5.1. Limitations of the study

The study did not consider the cultural and regional biases. These differences are important to affect the performance of the firms. Another limitation is that the study did not address the performance of the comparison group that is non family firms. It would be more interesting to see performance of the firm where family involvement in management is absent or limited. Panel data can provide the better estimate of the factors such as family longevity goals on firm performance. These limitations should be addressed in the future studies**.**

6. Conclusions

Findings of the study show that family participation in management is not significantly related with performance of family firms. The combined effect of family participation in management and family longevity goals are positively associated with performance of family firms, implying that owners of family firms give more focus to family longevity goals in order to exploit growth potential opportunities in the changing environment. Results of the study have significant implications for owners of family firms and managers of family businesses. Solely relying on family participation in management could not guarantee sustainable growth of family firms until and unless family firms design and strictly implement family longevity goals. Family firms' future goals stimulate owners and managers of family firms to invest in research and development activities in order to getting competitive edge over competing firms in the market.

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