ISSN: 3071-3919
Review Article
Journal of Digital Marketing, E-Commerce, and Consumer Analytics

# From Manufacturing Capability to Brand Ownership: Why Pakistani SMEs Struggle to Build Higher-Value Brands —A Conceptual Review and Research Agenda

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**Submitted:** 11 September 2026 **Accepted:** 16 September 2026 **Published:** 22 September 2026

***Citation:*** *Abbasi, J. R. (2026). From Manufacturing Capability to Brand Ownership: Why Pakistani SMEs Struggle to Build Higher-Value Brands —A Conceptual Review and Research Agenda, J of Digit Mark E-Com Con Ana, 2(5), 01-05.*

***Abstract***

*Pakistan's small and medium-sized enterprises (SMEs) are economically important, yet many manufacturing firms participate in global markets primarily as suppliers rather than as owners of customer-facing brands. Existing Pakistan-focused research has documented constraints related to finance, electricity, regulation, technology, security, and political instability. Less often, these studies connect such constraints to the organizational capabilities required to capture value through market knowledge, employee development, owned brands, direct distribution, and export-market learning. This conceptual review develops that connection without treating it as an established causal finding. It synthesizes evidence from Pakistan-focused studies on manufacturing barriers, human-capital development, training and development, innovation, branding, export marketing, and technological readiness. The review identifies a potentially distinct but interdependent capability gap: the inability to convert production competence into differentiated market offerings and sustained brand equity. The paper proposes a framework in which operational conditions and human-capital practices shape marketing and brand capability, while innovation, organizational learning, digital marketing, and channel control mediate the pathway to export value capture. It then presents research questions, propositions, and a mixed-method design for testing the framework among Pakistani SMEs. The paper's contribution is deliberately modest: it provides a better-grounded research agenda and a disciplined construct definition, not empirical proof that branding is more important than infrastructure or finance.*

**Keywords:** Pakistan, SMEs, Manufacturing, Human Capital, Training and Development, Marketing Capability, Brand Orientation, Export Performance, Organizational Learning, Value Capture.s

## Introduction

Pakistan has internationally connected manufacturing clusters in sectors such as sports goods, surgical instruments, leather, textiles, food, and light engineering. The existence of production capability, however, does not automatically create ownership of the customer relationship. A firm may manufacture to a buyer's specification, export through an intermediary, or supply an international label while receiving limited recognition for design, positioning, distribution, and brand equity. The central issue for this paper is therefore not whether Pakistani SMEs can manufacture, but under what conditions they can add, communicate, and retain more value under an owned or co-owned market identity.

The starting literature is substantial but fragmented. Studies of Pakistani SMEs repeatedly identify financial constraints, energy unreliability, regulatory complexity, corruption, security concerns, weak technology use, and political instability as barriers to survival and growth [1-3].

A second stream examines human capital and training. Evidence from 750 Pakistani manufacturing SMEs shows that human-capital levels differ significantly across industries and firm sizes, challenging a uniform policy approach [4]. A Karachi study of 357 SMEs reports low adoption of recruitment and selection practices and significant differences between small and medium firms in the use of training and development practices [5].

More recent export-manufacturing evidence links technological readiness and AI adoption to employee capacity building and sustainable performance, with organizational learning strengthening the technology-readiness pathway [6].

A third stream addresses innovation, branding, market orientation, and export performance. Hafeez, Shariff, and Lazim's Pakistan-oriented conceptual paper argues that innovation, firm resources, entrepreneurial orientation, branding, and performance should be examined together rather than as isolated variables [7]. Research on Pakistani exporters also links internet use, e-marketing, marketing skills, and market responsiveness to export outcomes [8-10]. These studies make it possible to move beyond a simple claim that "Pakistani SMEs do not brand" and instead ask a more precise question: how do operational barriers, training systems, innovation practices, and market-facing capabilities combine to shape brand ownership and export value capture? This paper is a conceptual review and research agenda. It does not claim to measure the prevalence of a brand-capability deficit, nor does it infer that branding alone can solve structural constraints. Its purpose is to define a testable construct, connect previously separated literatures, identify boundary conditions, and propose an empirical design appropriate for Pakistani manufacturing SMEs.

**Review Method and Scope**

The review was developed through targeted Google Scholar searches and follow-up checks of publisher or repository pages. Search themes included Pakistani SME manufacturing barriers, human-capital development, training and development, branding, innovation, marketing capability, export performance, digital marketing, and organizational learning. Priority was given to Pakistan-specific empirical studies, open-access full texts, peer-reviewed journal articles, and official or institutional sources. Conceptual articles and practitioner commentary were retained only when clearly labeled as conceptual or contextual rather than treated as empirical evidence.

**Table 1**

| Evidence layer | What it contributes | How it is used here |
|---|---|---|
| Pakistan SME barriers | Finance, power, regulation, technology, security, and institutional constraints | Established context and control variables; not replaced by branding claims |
| Human capital and training | Industry- and size-specific capability differences; uneven training adoption | Mechanism connecting workforce capability to technology, quality, innovation, and market execution |
| Branding and innovation | Branding, resources, innovation, and performance as linked constructs | Theoretical basis for brand orientation and innovation propositions |
| Export marketing and digital capability | Internet, e-marketing, market responsiveness, and marketing capability | Potential route from production to direct market access and export performance |
| Official/institutional data | SME definitions, policy frameworks, and national development context | Context only; figures are reported with source and year rather than presented as timeless facts |

**Pakistan's SME Context and the Limits of Aggregate Claims**

SMEs are widely described as comprising the overwhelming majority of Pakistani establishments and as making a substantial contribution to employment and output [11, 12]. The exact percentages vary by definition, year, dataset, and whether informal firms are included. Accordingly, this paper does not rely on a single headline statistic to establish importance. The more defensible point is that Pakistani SMEs are numerous, heterogeneous, and central to manufacturing employment and export ecosystems, while policy and measurement systems do not always distinguish sufficiently among sectors, firm sizes, and capability levels. This heterogeneity matters for branding. A 20-person workshop supplying components under another company's specification faces a different branding opportunity from a 200-person food, apparel, sports, or surgical-instrument firm with an exportable finished product. The firm's ability to invest in packaging, certification, design, market research, digital channels, and after-sales service will depend on product characteristics, buyer requirements, working capital, owner objectives, and the sophistication of its workforce. A meaningful framework must therefore avoid treating "SME branding" as a universal prescription.

**What Existing Research Says About Operational Barriers**

Haleem, Jehangir, and Ullah's exploratory study of manufacturing SMEs in Khyber Pakhtunkhwa organizes barriers into internal, external, and government-related factors [1]. The study reports issues including limited education and technology use, informal employment, low working capital, seasonal demand, price volatility, middlemen power, high costs, unreliable electricity, weak support, mismanagement, and fragmented regulation. Sherazi and colleagues similarly identify financial constraints, corruption, inadequate technological support, and inadequate social support as major obstacles [2]. Hyder and Lussier's study of small-business success and failure in Pakistan highlights security, electricity, and political instability among the major impediments [3]. These findings establish a necessary caution. A firm that cannot finance raw materials, maintain reliable production, or meet regulatory and quality requirements may have no realistic capacity to build a brand, regardless of owner awareness. Branding should therefore be modeled as a capability that is enabled or constrained by the operating environment, not as a substitute for energy, credit, security, or governance reform. The conceptual gap is not that existing studies are wrong; it is that operational-barrier studies rarely examine how these conditions affect the firm's ability to learn about customers, innovate, control channels, and build an owned market identity.

**Training, Human Capital, and the Capability Pipeline**

The training literature provides a stronger empirical basis for the proposed capability pathway than the original manuscript acknowledged. Mubarik, Govindaraju, and Devadason analyze

a survey of 750 manufacturing SMEs and find significant differences in human-capital levels across industries and firm sizes. Human capital is higher in textiles, food, metal, and leather industries and in medium-sized firms; the authors conclude that a one-size-fits-all human-capital policy is inadequate [4]. This finding implies that training policy should be matched to sectoral technology, occupational profiles, firm scale, and growth ambition.

Raziq and Khair examine training and development practices among 357 SMEs in Karachi's service and manufacturing sectors. Their results indicate low adoption of recruitment and selection practices and significant differences between small and medium-sized firms in the use of most training and development practices [5]. The implication for brand-building is indirect but important: market-facing capability depends on people who can interpret customer needs, manage product information, execute consistent quality, develop content, use digital tools, and coordinate export documentation. If training systems are weak or uneven, the firm may possess a good product but lack the organizational routines needed to make its promise credible and repeatable.

Ahmad and Khan's evidence from the Pakistani autoparts industry connects business strategy to HR practices and reports that firms with greater resources are better able to develop HR through regular skill development [13]. Jamil and colleagues' 2025 study of Pakistani export-sector manufacturing SMEs provides additional support for a dynamic-capabilities interpretation. Using survey data and structural equation modeling, the study finds that AI adoption and technological readiness enhance employee capacity building, which positively affects sustainable performance; organizational learning significantly moderates the relationship between technological readiness and employee capacity building [6]. These results do not prove that training causes brand equity, but they do support a broader mechanism: technology and strategy produce value only when employees and organizations can absorb, adapt, and apply them.

**Branding, Innovation, and Export Value Capture**

Brand capability is defined here as the firm's ability to identify a valuable market position, express it through a coherent identity and offering, deliver the promised value consistently, protect relevant intellectual property, and learn from customers and channels. This definition is intentionally broader than a logo or promotional campaign. It includes market intelligence, product and packaging decisions, quality signaling, positioning, storytelling, channel strategy, customer relationship management, and the routines that align employees around the brand promise. The Pakistan-oriented conceptual work of Hafeez, Shariff, and Lazim proposes relationships among entrepreneurial orientation, firm resources, SME branding, innovation, and firm performance. Although the paper is conceptual rather than an empirical test of Pakistani firms, it is useful because it rejects a narrow view of innovation as only technical invention. Product, administrative, managerial, and marketing innovation can all influence the firm's ability to differentiate and grow. The paper also treats branding and innovation as potentially mutually reinforcing: a clearer market promise can create pressure to improve the product and the customer experience, while innovation can give the brand a credible reason to exist.

Pakistan-focused export studies reinforce the relevance of market-facing capability. Awan and Zhang examine internet effects on export marketing performance among Pakistani SMEs [8]. Erum, Rafique, and Ali study e-marketing adoption and export performance of SMEs [9]. Khan and Khan examine marketing skills and market responsiveness among emerging-market exporting firms, including Pakistani exporters, and emphasize that effective market response is not automatic even when a firm has a product or a recognizable customer [10]. Together, these studies support an empirical distinction between production capability and market capability. The distinction should not be interpreted as a binary divide: manufacturing quality, certification, delivery reliability, and cost competitiveness remain part of the value proposition. The point is that they must be translated into a customer-recognized and commercially controlled offer.

The most defensible version of the value-capture argument is therefore conditional. Pakistani firms may lose potential value when they are dependent on intermediaries, lack direct customer information, sell to another firm's specification, or cannot sustain the investments required for certification, design, content, and distribution. Whether this occurs, how often it occurs, and whether branding would improve margins are empirical questions requiring firm-level data. Industry examples such as Sialkot sports goods and surgical instruments motivate the question; they do not, by themselves, establish a national causal pattern.

**Proposed Conceptual Framework**

The framework below extends the operational-barriers taxonomy by adding market-facing capability as an interdependent layer rather than a completely separate category. It proposes that external conditions and internal resources shape training and organizational learning; these, in turn, influence innovation and brand capability. Brand capability is expected to affect export-market access and value capture, subject to product category, certification, channel structure, and firm size.

**Table 2**

| Construct | Working definition | Indicative measures |
|---|---|---|
| Operational conditions | Constraints affecting production continuity and compliance | Power reliability, finance, regulation, security, cost volatility, delivery reliability |
| Human-capital and training capability | Ability to recruit, develop, retain, and deploy relevant skills | Training frequency, skill gaps, internal mentoring, external courses, HR formality |
| Organizational learning | Routines for acquiring, sharing, and applying knowledge | Customer feedback, cross-functional meetings, experimentation, post-project review |
| Innovation capability | Ability to make product, process, managerial, or marketing improvements | New products, packaging, process improvements, digital experimentation |

| | | |
|---|---|---|
| Brand capability | Ability to create and deliver a differentiated, credible market identity | Positioning, owned identity, consistency, IP, content, customer insight, brand metrics |
| Channel control | Ability to access customers and retain information and margin | Direct export, distributor dependence, customer database, repeat orders, channel mix |
| Export value capture | Commercial outcomes associated with market-facing control | Price premium, repeat purchase, margin, direct-market share, diversification, brand inquiries |

The Framework Produces the Following Propositions for Future Testing:

P1. Operational barriers are negatively associated with training and organizational-learning capability, after controlling for firm size, sector, and export intensity.

P2. Training and human-capital capability are positively associated with innovation capability and brand capability.

P3. Organizational learning strengthens the relationship between technological readiness and employee capacity building.

P4. Innovation capability is positively associated with brand capability when the firm has sufficient market intelligence and channel access.

P5. Brand capability is positively associated with export value capture through improved positioning, customer access, and channel control.

P6. Channel control mediates the relationship between brand capability and export value capture, while certification requirements and firm size moderate that relationship.

These propositions are deliberately cautious. They predict relationships to be examined, not results that can be reported in advance.

**Research Questions and Proposed Methodology**

The next study should answer four questions: (1) What training and market-facing skills do Pakistani manufacturing SMEs currently possess? (2) How do owners and managers understand branding relative to production, finance, and export compliance? (3) Under what conditions do firms move from contract manufacturing or intermediary-led sales toward owned or co-owned brands? (4) Do brand capability and channel control explain variation in export performance after operational constraints are considered? A sequential mixed-method design is appropriate. Phase 1 should use 25–35 semi-structured interviews with owners, senior managers, export managers, and relevant support organizations across at least three sectors, such as sports goods, apparel/leather, food, surgical instruments, or light engineering. Purposive maximum-variation sampling should include micro/small and medium firms, direct exporters and indirect exporters, and firms with and without an owned brand. Interviews should explore production constraints, hiring and training, customer information, product adaptation, certification, brand decisions, intermediary relationships, digital marketing, and perceived returns from branding.

Phase 2 should survey a larger sample, ideally 200–300 SMEs across selected manufacturing clusters. Scales should be adapted from prior research and piloted for comprehension in Urdu and English. Brand capability should be measured through multiple items rather than a single yes/no branding question. Possible indicators include formal positioning, customer research, brand guidelines, consistent packaging, trademark or IP activity, digital presence, direct customer data, brand-related KPIs, and the proportion of sales under an owned or co-owned label. Export value capture should be operationalized with a combination of subjective and objective indicators, such as repeat orders, direct-export share, gross margin relative to category, ability to negotiate prices, customer diversification, and brand-led inquiries. Analysis should combine thematic coding in Phase 1 with reliability, validity, regression, and—if the sample permits—partial least squares structural equation modeling in Phase 2. Sector, firm size, age, export intensity, product complexity, and ownership structure should be treated as controls or moderators. Common-method bias should be addressed through source separation where possible, objective indicators, reverse-coded items, and procedural safeguards. The study should not infer causal effects from cross-sectional data; longitudinal follow-up or matched case studies would be needed to evaluate whether capability investments produce sustained value capture.

**Implications for Managers and Policy**

For managers, the framework suggests that branding should begin with a commercially relevant problem rather than a cosmetic redesign. A firm can start by identifying the customer segment it serves best, documenting a credible point of difference, standardizing quality and packaging, collecting customer feedback, and measuring repeat purchase or inquiry quality. Training should be tied to these routines: sales and production staff need shared knowledge of the customer promise, export teams need market and compliance skills, and managers need the ability to interpret data and coordinate improvement. For policymakers and support institutions, the evidence argues against a single SME intervention. Finance and infrastructure remain foundational. Alongside them, support should be differentiated by firm size and sector, as recommended by the human-capital evidence [14]. Practical programs could include shared design and packaging centers, export-readiness clinics, trademark and IP assistance, cluster-based customer research, subsidized but outcome-linked training, university–industry projects, and digital-market access. Programs should measure outcomes such as direct-customer acquisition, certification completion, export-market diversification, repeat orders, and owned-label sales rather than counting workshops alone.

For chambers and clusters, collective action may reduce the cost of capabilities that are too expensive for an individual SME. A cluster can share testing facilities, design expertise, trade intelligence, professional content production, and overseas buyer discovery while allowing firms to compete on their own brands. However, collective promotion should not obscure firm-level accountability: a “Made in Pakistan” message is not a substitute for a differentiated firm-level promise, reliable quality, and enforceable standards.

## Limitations

This paper is a conceptual review, not an empirical study. Its central construct—brand capability—has been proposed but not

validated in Pakistan. The literature is uneven: Pakistan-specific studies are stronger on operational barriers, human capital, training, technology, and export marketing than on longitudinal brand outcomes. Some evidence is conceptual, some is sector-specific, and some measures depend on self-report. The review also does not estimate the margin captured by foreign brands or intermediaries because such data are rarely available at the firm level. Claims about national value leakage should therefore remain hypotheses until supported by transaction, margin, channel, and brand-level evidence. A further limitation is definitional. Pakistani institutions and studies use different SME thresholds, and manufacturing SMEs vary considerably in employment, assets, turnover, formalization, and export role. Future work should state its SME definition, sampling frame, sector boundaries, and year of data collection explicitly. Finally, free publication platforms and open repositories differ from peer-reviewed journals: depositing a manuscript online increases discoverability but is not equivalent to publication or quality assurance.

## Conclusion

The evidence supports a more precise research agenda for Pakistani SMEs. Manufacturing and export constraints remain serious, but they do not exhaust the explanation for why firms may remain suppliers rather than brand owners. Pakistan-focused studies show that human capital, training, technological readiness, organizational learning, innovation, e-marketing, and market responsiveness are relevant capability domains. The unresolved question is how these domains interact with production competence and channel structure to influence export value capture. The paper therefore reframes the original argument. Brand capability should be studied as a measurable, interdependent organizational capability—not asserted as a universally independent barrier and not reduced to advertising. The proposed framework can be tested through firm-level interviews and a multi-sector survey. If supported, the findings would justify a policy shift from production-only support toward integrated capability development: skills, innovation, customer knowledge, certification, digital access, channel control, and owned-brand execution. If not supported, the field will still gain a clearer test of where the value-capture problem actually lies.

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