

Family Business in the Middle East: An Exploratory Study of Retail Management in Kuwait and Lebanon

By: Dianne H. B. Welsh, Peter Raven

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Abstract:

The Middle East is a growing, lucrative marketplace that has recently captured the interest of the world for political as well as economic reasons due to the War in Iraq, which began in 2003. This exploratory study examines the relationship between retail small/medium enterprises (SMEs) that are family business owned, organizational commitment, and management and employee perceptions of customer service on a number of dimensions. The results suggest that managers and employees of family-owned businesses in the Middle East behave in ways similar to those in Western countries; however, there are differences, probably related to cultural characteristics. The Middle East is a richly diverse region, a myriad of unique cultures. As the market becomes more sophisticated, the importance of service quality increases. Global retailers can benefit from this study by better understanding the managers and employees in the region and the pivotal role of the family on business. Implications for practice are discussed.

Article:

Introduction

Attention has recently focused on the Middle East,¹ particularly because of the War in Iraq, which began in 2003. There is a heightened interest in understanding this part of the world, its inhabitants, family structure, and cultures. In this regard, it is important to understand that residents of the Middle East are not strangers to contradiction and conflict. Idiosyncrasies, both ancient and modern, have shaped the cultures of this region. Despite cultural and political ties, these countries differ in many ways. For instance, economic structures and factor endowments vary considerably (Nashashibi, Brown, & Fedelino, 2001).

Since the discovery of oil in the Gulf Region² in the 1930s, the Middle East has been in transition. The population of the Middle East has grown very fast in the past 30 years—faster than any other region of the world except sub-Saharan Africa (Dhonte, Bhattacharya, & Yousef, 2001). The subsequent increases in revenue have resulted in drastic changes and significant industrialization within these countries (Abbasi & Hollman, 1993; A. J. Ali, 1990; A. Ali & Al-Shakhis, 1986). Contact with Western countries and corporations improved the standard of living in the Middle East through better education, improved health care, greater mobility, and increased communication (A. J. Ali, 1990; A. Ali & Al-Shakhis, 1986).

The Gulf Region has emerged as a major retail trading and banking center in the last 15 years, not only for the Middle East, but for the world as a whole. There is a great need to understand retail management practices and the critical role that family business relationships play if other countries are to compete in this region. In this study, we surveyed retail managers and salespersons in Kuwait and Lebanon. To our knowledge, this is the first study that has explored the perceived service behavior and organizational commitment of family-owned business managers and salespersons in a retail environment in the Middle East. Sharma (2004), in her recent review of the field of family business studies, calls for more attention to be directed toward the firm level to understand the mechanisms family firms use to communicate with and reinforce their employees and managers. This article answers this call, in part. From a Western perspective,

the Middle East is still surrounded in much mystique and ignorance. The contribution of this study is to help better understand the nature of Middle Eastern business management and the integral part family business plays in this area of the globe. In addition, while there have been some studies of family businesses in other countries, they have been somewhat limited. For instance, *Family Business Review* published three such articles in one volume in June 2002. The present article contributes to our knowledge of family businesses in two underresearched cultures—Kuwait and Lebanon.

Management in the Middle East

Sociology, anthropology, business, and economics literature have all contributed to the development of theoretical frameworks addressing the effect of culture, religion, and ethnicity on management. Western thought often conflicts with Arab culture and religion. Industrialization, while welcome, complicates the duties of managers who strive to achieve modern results while maintaining their traditional values. This duality and contradiction is an inherent part of the Islamic culture that dominates the Middle East. For centuries, Muslims have upheld religious ideals that conflict with political routine (A. J. Ali, 1990,1993). Hickson and Pugh (1995) cite four major influences on Arab management: Bedouin tradition and wider tribal inheritance, Islam, foreign rule, and the West's need for oil. The importance of the family is inherent in tribal history and religion. The Bedouin tradition connotes a romantic image of the camel-mounted tribesman and is most visible today by the traditional costumes still worn by many politicians and businessmen.

Family Businesses in the Middle East

Neither Kuwait nor Lebanon publishes reliable statistics on family businesses. However, we can extrapolate from other Middle Eastern and Gulf Region countries to understand the importance of family businesses in the region. Tribal societies have long focused on the family as the unit of interest. Families predominate in both politics and society. The ruling family in Kuwait, the AlSabahs, for example, have been in power since the 18th century (U.S. Library of Congress, 2004a). This importance of family extends to businesses, where approximately 98% of commercial activities in the Gulf Cooperation Council, which includes Saudi Arabia, Kuwait, and most of the other Gulf states, are family run (Fadhel, 2004). Similarly, Lebanon has a long tradition of family dominance over both rulers and business (U.S. Library of Congress, 2004b). This tradition has been traced to feudal times, but is pervasive even today. The patron-client relationship in Lebanon is termed *Zauma Clientelism* and integrates political, militia, and business functions.

The Influence of Religion

Islamic culture shapes the Gulf Region, and therefore the organizations and managers working there. Passages in the *Quran*, the Islamic holy book, specifically address business transactions, with directives on topics ranging from spending habits to financial and management concepts. There are specific courses in Islamic finance at Middle East colleges and universities. Different interpretations of the *Quran* are yet another source of contradiction and are the basis of differences in culture (A. J. Ali, 1990).

Management style is one contradiction that finds roots in differing Muslim sects. Authoritarian management is predominant in large organizations, while consultative methods prevail in other arenas. Kets de Vries (1993) found that smaller, family-controlled firms were less bureaucratic, authoritarian, and impersonal than larger firms that were not family controlled. Some Islamic sects prefer consultative methods of management, which is more consistent with tribalistic traditions (A. J. Ali, 1989a; A. Ali, & Al-Shakhis, 1986), while others prefer religious interpretations that promote authoritarian styles and encourage absolute authority of rulers (A. J. Ali, 1990). Early colonial possession of the region also set a precedent of authoritarian management (Abbasi & Hollman, 1993; A. J. Ali, 1990).

The Influence of the Family

Family businesses have been defined variously by different authors (Chua, Chrisman, & Sharma, 1999). For the purposes of this study, we use a rather loose definition of family business to include firms that are both family owned and managed. This definition defines most of the businesses in the Middle East and in this

study. Patterns of life and work find additional roots in fundamental precepts of the Islamic religion, which encourage respect of elder family members and stress a father's authority within a family. Family members usually hold management and other key positions within organizations (Abbasi & Hollman, 1993). Additionally, family members often collect regular pay but are not required to work (A. J. Ali, 1990). Tribal-family traditions can further reinforce authoritarian management styles, but often support consultative management techniques as well (A. J. Ali, 1989a, 1990). Tradition dictates that a sheik follows, rather than leads, tribal-family opinion (A. J. Ali, 1993). Furthermore, consultative methods are proven to be more effective with multicultural workforces such as those that predominate in the Gulf Region (Enshassi & Burgess, 1991). However, management style in organizations located in the Gulf Region is in transition. Younger managers who have been educated at Western universities or those who work primarily with foreign corporations use participative management. They tend to encourage decentralization and teamwork. Participative management is not alien to the Gulf Region, but is more common among managers who work with Western organizations (A. J. Ali, 1993). Indeed, Denison, Lief, and Ward (2004), using a small sample of U.S. family and nonfamily firms, found that corporate cultures of family enterprises were more positive than the culture of firms without a family affiliation.

Tribal-family relations and religion affect other aspects of management. Managers from the Gulf Region tend to disregard rules and procedures as man-made prefects (A. J. Ali, 1993). They prefer flexibility, but are by no means risk-takers. Tribal-family norms and values encourage conformity and discourage creativity (A. J. Ali, 1990, 1993). Stability and commitment are highly valued in Islamic culture (A. J. Ali, 1990). Therefore, managers and employees should have a strong commitment to the organization. When there is a higher commitment level, there should be greater perceived performance. This leads to our first two hypotheses.

Hypothesis 1. Retail store managers and employees will not differ in:

- a. Their scores on service quality;*
- b. Their commitment to the organization; or c. Their customer focus.*

Hypothesis 2. The greater the commitment to the organization, the greater will be the perceived service quality provided by employees.

The Influence of Nationality

In addition to religion and the family, nationality probably has the next most significant effect on managers from the Middle East. Saudi Arabians tend to be more conformist and have high structure needs compared to other Gulf Region residents. Authoritarian management predominates in organizations in Saudi Arabia. Kuwaitis are more tribalistic; they are submissive to authority and tradition. In addition, the Kuwaiti people have had more exposure to new ideas and Western culture than their counterparts from other Gulf Region nations (A. Ali, 1988). Kuwaiti organizations were the first to hire managers based on education rather than solely on family connections (Yasin & Stahl, 1990). The Iraqi and Qatari hold more existential values and lean toward consultative management styles (A. Ali, 1988; A. J. Ali, 1989b). A pseudo-consultative management style is dominant in Kuwait. Managers in this region seem to value an appearance of consensus and consultation, but often make decisions without considering the discussions they facilitate. Gulf Region managers under 30 years of age prefer more participative management techniques regardless of nationality (A. J. Ali, 1989b; Yasin & Stahl, 1990). In addition, Winsted (1999) found that different cultures do have different expectations of service quality.

In Kuwait, many service jobs are often performed by non-Kuwaitis—people from other Middle East countries, East Asian countries, and other places. There is currently an attempt to reduce the dependence on foreign workers in Kuwait and other Gulf countries, encouraging more local employment, but this effort is in its very early stages. The population in the Gulf Cooperation Council is about 33 million; there are more than 11 million foreign workers, primarily from non-Arab countries. These expatriate workers are currently seen

as a strategic threat to political and social identity (Middle East Online, 2004). In Lebanon, however, most service jobs are performed by Lebanese, as this country does not have as many foreign workers doing retail and other service jobs. Because of this, we expect there to be differences in the Lebanese perceive service quality, organizational commitment, and customer focus. The third hypothesis examines these relationships.

Hypothesis 3. Service providers from different countries will differ in:

- a. Perceptions of service quality;*
- b. Organizational commitment; and*
- c. Customer focus.*

The Influence of Culture

The cultures of the Middle East are unique in many aspects, but there is a general tendency toward fatalism. This is manifest in many ways, but particularly in one expression, “insha’ Allah,” roughly translated as “Allah (God) willing,” but also used to suggest “if the boss wills it” (Rice, 1999), or other similar expressions, depending on culture. Insha’ Allah is used to explain many uncertainties in life and sometimes to delay or reposition responsibility and decision making. As the Middle East becomes more diverse due to people from many different backgrounds working in the area, however, this fatalistic attitude may become less prevalent. Also, as more Middle Easterners travel outside their region, other, less fatalistic attitudes may become more pronounced, especially regarding service quality.

Lebanese and Kuwaiti cultures have similarities and differences. In both there is a strong influence of Islam, although Lebanon also has a long history of Christianity. Lebanon’s population has not been accurately determined since before the civil war, but was estimated to be between 3.77 million (World Facts, 2005) and 4.4 million (World Bank, 2005). Its economy is diverse, including cotton, textiles, foodstuffs, tobacco, precious stones, paper, and other products, as well as banking services (until the 1975 civil war). Lebanon’s culture has been influenced by several Mediterranean cultures over the ages, including the Phoenicians, Assyrians, and Greeks, which probably influenced its propensity to trade (U.S. Library of Congress, 2004b). Kuwait has about 2.2 million people and its economy relies primarily on the export of oil. Kuwait has many family-owned businesses that often are run by people from other Arab and Asian countries (U.S. Library of Congress, 2004a). Thus, there are commonalities in language and religion, but differences in history and natural resources that influence the cultures of Lebanon and Kuwait.

In cultures with a high degree of fatalism, employees may attribute service quality (SQ) encounters to events and people over which they have little or no control. As a result, perceptions of SQ may be lower than in less fatalistic cultures. Currently, most retail service workers in Kuwait are from cultures that tend to be fatalistic. We expect fatalism to have a negative effect on perceptions of service quality, organizational commitment, and customer focus, as indicated in the fourth hypothesis. The rationale for this is that in fatalistic cultures, people’s expectations and perceptions will hinge on factors other than themselves (Welsh & Raven, in press). Retail employees might, for example, believe that service is a function of the corporate bureaucracy and not in their direct control.

Hypothesis 4. The greater the fatalism, the less will be:

- a. Perceptions of service quality;*
- b. Commitment to the organization; and*
- c. Customer focus.*

Firm Size

Local retailers may wish to develop strategies to improve service quality before their competitors do. Global retailers may have both an advantage and a disadvantage in this regard. Their advantage may come from past experiences in improving service quality and in relying on sophisticated ways of measuring and managing it, especially training. On the other hand, global retailers may be at a disadvantage in assuming that what works

in other regions of the world will work in the Middle East. Certainly, there are service strategies that may be universal, but Middle East customers are distinctive in many aspects of their consumer behavior and will undoubtedly require unique service solutions.

However, regardless of location, on the basis of transaction cost theory and resource dependency theory, size is one of the most important organizational factors that affect an organization's behavior in response to changes in market environments, including the need to improve service quality (Tushman & Romanelli, 1985). Size has been the most frequently studied structural characteristic in studies by organizational theorists. In comparison with large organizations, SMEs are less bureaucratic and hierarchical, while being more innovative and customer oriented. They need less response time to implement changes. SMEs are also able to adapt, internalize, and crystallize information more efficiently across the entire organization (Oviatt & McDougall, 1994). Therefore:

Hypothesis 5. Compared to larger retail stores, employees of smaller retail stores will:

- a. Perceive their service quality to be greater;*
- b. Have greater commitment to the organization; and*
- c. Have a greater customer focus.*

Service quality has been studied to a considerable extent in the United States, but it has been given less emphasis in other countries, especially developing countries. The consumerism movement, taken for granted in the United States, is now also extending to developing countries, but at different rates (Kaynak, Kucukemiroglu, & Odabasi, 1992). Because of this, different quality levels of service may be expected and delivered in developing countries (Malhotra, Ulgado, Agarwal, & Baalbaki, 1994). Service quality and customer satisfaction appear to be related, but the causal direction has yet to be determined. Parasuraman, Zeithaml, and Berry (1994) suggest that customer satisfaction seems to be more transaction specific, while service quality is focused more on an overall attitude. Both, of course, are important, but for managing retail salespeople, it is especially critical to understand if service quality is improved through different aspects of customer focus (Whitely, 1994). This is summarized in the following hypothesis.

Hypothesis 6. Service quality perceptions will be dependent on customer focus.

Methods

The Sample

As part of a larger study, managers and store employees in 100% family-owned businesses in Kuwait and Lebanon were surveyed by management students in their last year of study at an AACSB institution located in the United States. These student researchers were from Kuwait and Lebanon. The students administered the surveys personally under the direction and training of the authors. The students surveyed a convenience sample of employees who were first-line salespeople, and their managers, resulting in 178 usable responses. Most responses were from salespeople. A profile of the sample is listed in Table 1.

The retail stores in which the survey was conducted were located in Kuwait (85.7%) and in Lebanon (14.3%). The stores were located in shopping centers (40.3%), on the street (23.8%), and separately (34.7%). More than 100 stores were sampled—most were small, although department stores were also sampled. A wide variety of products were offered by the sample stores, including automotive parts, electronics, travel, banking, fashion clothing, sports, food, books, and many other products and services. Employees were primarily salespeople, but managers and other customer-contact people were also surveyed. The data represent a rather broad spectrum of products, customers, and retail-contact people. A number of stores had more than one employee response.

Measures Used

Service quality (ServQual Scale). Measuring service quality outside the United States has been done only to a limited extent. At issue has been the validity of measures used in the United States and the industries sampled (cf. Donnelly, Van'T Hull, & Will, 2000; Lam, 1997; Wetzels, Ruyter, & Lemmink, 2000). The primary measure of interest was service quality, comparing expected service and perceived service outcomes. Validity and reliability of the ServQual Scale has been well supported (Parasuraman, Zeithaml, & Berry, 1986, 1988). The ServQual model measures the expected and perceived levels of service. The level of service is measured on five dimensions:

- *Tangibles*—Physical neat appearance of the facilities, personnel, and so forth.
- *Reliability*—Ability to perform service dependably and accurately.
- *Responsiveness*—Willingness to help customers.
- *Assurance*—Conveyance of knowledge, trust, and confidence.
- *Empathy*—Caring, individualized attention.

Previous studies using the ServQual Scale have generally been supportive of these dimensions, but there have been some questions raised as to its generalizability (e.g., Cronin & Taylor, 1992; Teas, 1993). The ServQual instrument has also been used in cross-cultural and cross-industry studies, with generally satisfactory results. Lam (1997) used the ServQual instrument in evaluating patient service quality in Hong Kong hospitals and found it to be essentially one-dimensional (rather than five dimensions), but still reliable. A modified version of ServQual was used to determine quality of service in marketing research agencies in the United Kingdom. The authors concluded, notwithstanding the criticisms of the scale, that the instrument has practical applicability in cross-cultural contexts (Donnelly et al., 2000). Davidsson (2004) suggests that an instrument is valid if it shows its effects in several, slightly different empirical samples and if it is valid in several variations in operationalizations. For the purposes of our study, we compared only the perceptual measures as these are more realistic indicators of customer service.

Table 1 Profile of Employees (*N* = 178)

Demographic	Percent*
<i>Gender</i>	
Female	36.9
Male	63.1
<i>Age (Years)</i>	
25 and under	18.9
26–35	50.3
36–45	18.3
46–55	8.6
56 and older	3.9
<i>Nationality</i>	
Kuwaiti	8.0
Indian	26.9
Lebanese	26.9
Egyptian	5.1
Sri Lankan	6.3
Filipino	6.9
Palestinian	5.7
Others (11 countries)	14.2
<i>Years Employed</i>	
<5 years	59.6
5–10 years	25.2
>10 years	15.2

* Except for years employed.

Organizational commitment. Employee and manager organizational commitment was measured using Meyer and Allen's (1984) eight-item Affective Commitment Scale and the eight-item Continuance Commitment

Scale. In two samples, Meyer and Allen reported internal consistency reliability estimates (Cronbach's alpha) of 0.88 and 0.84 for the Affective Commitment Scale and 0.73 and 0.74 for the Continuance Commitment Scale. The attitudinal scale was developed from the Organizational Commitment Questionnaire or OCQ (Porter, Steers, Mowday, & Boulian, 1974; Mowday, Porter, & Steers, 1982); the behavioral scale was developed from Ritzer and Trice (1969) and Hrebiniak and Alutto's (1972) modification. The two types of commitment identified are attitudinal and behavioral. Attitudinal is when the individual identifies with the organization and is committed to maintaining membership in order to pursue its goals (McGee & Ford, 1987). Behavioral is when an individual is bound to the organization through extraneous interests, such as pensions or seniority, rather than favorable affect toward the organization.

The OCQ items were recorded on a seven-point Likert scale, with 1 = *Strongly Disagree* and 7 = *Strongly Agree*. Our sample was factor analyzed, with three factors found dominant, having eigen-values greater than 1 and accounting for 43% of the variance. These factors were subjected to reliability tests and found to be more reliable than those originally reported by McGee and Ford (1987). We used these factors in subsequent analyses (see Table 3). Factors 1 and 3 represent the Affective Commitment Scale; Factor 2 represents the Continuance Commitment Scale. An explanation of each factor follows.

- *OCQ Factor 1*—Relates to the feeling of not belonging to and having little or no emotional attachment to the organization. Three items measured this factor, including, "I do not feel a strong sense of belonging to my organization," "I do not feel 'emotionally attached' to this organization," and "I do not feel like 'part of the family' at this organization."
- *OCQ Factor 2*—Relates more to the negative consequences of leaving, such as few opportunities, disruption of life, and so forth. This scale was measured by four items, examples of which include, "I feel I have too few options to consider leaving this organization" and "Too much of my life would be disrupted if I decided I wanted to leave my organization now."
- *OCQ Factor 3*—Relates to the positive aspects of belonging to the organization, such as personal meaning and pride in the organization. This factor was measured by three items: "This organization has a great deal of personal meaning for me"; "I would be very happy to spend the rest of my career with this organization"; and "I really feel as if this organization's problems are my own."

Customer focus. Seven factors originally described "customer focus" in the scales derived from Whiteley (1994) were used. Each of the published scales was found to be reliable and was used in the rest of the study. Items were measured on a seven-point scale with 1 = *Never* and 7 = *Always*. An interpretation of the scales follows.

- *Vision, Commitment, and Climate (CF Vision)*—As the title suggests, this scale refers to organizational commitment to satisfying customers. Seven items are in this scale. Examples of items include: "Our organization is totally committed to the idea of creating satisfied customers" and "Our goal is to exceed the expectations of our customers in the things that matter most to them."
- *Aligning Ourselves With Our Customers (CF Align)*—Examples of the five items in this portion include: "When it comes to selling, we play a consultative or partnership role with our customers" and "We know which attributes of our products or services our customers value most."
- *Readiness to Find and Eliminate Customers' Problems (CF Problems)*—Determined by four items. Representative items are: "We monitor customer complaints" and "We regularly ask customers to give us feedback about our performance."
- *Using and Communicating Customer Information (CF Info)*—This seven-item scale is represented by items such as: "We know how our customers define 'quality,'" and "We regularly give information to customers that helps shape realistic expectations."
- *Reaching Out for Our Customers (CF Reaching Out)*—Four items constituted this scale, represented by: "We make it easy for our customers to do business with us," and "We make it easy for customers to complain to us about our products and services."

- *Competence, Capability and Empowerment of People (CF Competence)*—The seven items in this scale are represented by: “We treat employees with respect,” and “Employees feel they are involved in making decisions about some aspects of their work.”
- *Continuously Improving Our Processes and Products (CF Improvement)*—The original instrument had six items, but we eliminated one that was not aimed at customer service (“We systematically try to reduce our research-and-development cycle times”) as being inappropriate for our study. The five remaining items are represented by: “We work continuously to improve our products and services,” and “We invest in the development of innovative ideas.”

Fatalism. Fatalism refers to the level of control people believe they have over outside events. High levels of fatalism suggest that people believe they have little control over events affecting their lives. Middle Eastern cultures are generally considered to be more fatalistic than Western societies, especially North Americans (Abbasi & Hollman, 1993). Farris and Glenn (1976) developed a scale to tap this dimension. A seven-point Likert scale anchored by *strongly disagree/strongly agree* was used. The questions asked respondents the extent to which they agreed with the following statements.

- Making plans only brings unhappiness because the plans are hard to fulfill.
- It doesn't make much difference if people elect one or another candidate, for nothing will change.
- With the way things are today, an intelligent person ought to think about the present, without worrying about what is going to happen tomorrow.
- The secret of happiness is not expecting too much out of life and being content with what comes your way.

Studies of fatalism have most often been reported in the sociology literature, where it has been linked to attributions of poverty and cross-cultural differences between the Lebanese and Portuguese (Abouchedid & Nasser, 2002), among others. Fatalism has also been used with Hofstede's value dimensions to compare cultural values in Russia, Georgia, Kazakhstan, and Krygystan (Ardichvili, 2001). Previous use of the fatalism scale in cross-cultural marketing studies has had mixed results, with reliabilities sometimes marginal (Foxman, Raven, & Stem, 1990; John, Tansuhaj, Manzer, & Gentry, 1986).

Results

A psychometric analysis of the measures is listed in Table 2. The reliabilities on the diagonal are generally satisfactory for an exploratory study. The hypotheses, tests, and results are summarized in Table 10. The first hypothesis was that retail store managers and employees will not differ in their scores on standard tests for service quality, commitment to the organization, and customer focus. The rationale for this hypothesis is that both managers and employees should be equally committed to serving both their customers and their firms. Results showed that there are no significant differences between managers and employees on the means of the scales used.

We tested this hypothesis by comparing employee and manager responses to the ServQual dimensions (Table 3) and OCQ, and Customer Focus (Table 4). T tests between the means of each measure suggest no statistically significant differences between managers and employees on the measures tested. As expected, managers and employees perceive service quality about the same and are equally committed to the firm and its customers.

The second hypothesis suggested that a greater commitment to the firm will result in greater perceived service provided by employees. This was tested using the Organizational Commitment Questionnaire (OCQ). Originally, McGee and Ford (1987) found two dimensions to this scale. In contrast, our data indicated five factors, of which three major factors accounted for almost 43% of the variance. Two of the five factors had unsatisfactory reliabilities, so we factor analyzed the scale items and used the dominant three factors with satisfactory reliabilities. Factors 1 and 3 represent the Affective Commitment Scale, while

Factor 2 represents the Continuance Commitment Scale (see Table 5).

The results of regression analyses indicate that OCQ Factors 1 and 2 were negatively related and Factor 3 was positively related to the various ServQual perceptions. All regressions were significant and explained considerable variance, but not all factors were statistically significant for each regression. These mixed results suggest partial support for Hypothesis 2.

Table 2 Psychometric Analyses of Variables (Reliability on the Diagonal in Bold)

Scale	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Tangibility	0.7264															
2. Reliability	0.79**	0.7897														
3. Responsiveness	0.64**	0.73**	0.7115													
4. Assurance	0.76**	0.75**	0.74**	0.7619												
5. Empathy	0.56**	0.64**	0.76**	0.67**	0.7932											
6. OCQ F1	-0.51**	-0.57**	-0.50**	-0.49**	-0.50**	0.7704										
7. OCQ F2	-0.03	-0.12	-0.04	-0.03	0.01	-0.14	0.6852									
8. OCQ F3	0.32**	0.33**	0.29**	0.36**	0.37**	-0.44**	0.27**	0.7240								
9. CF Vision	0.66**	0.70**	0.67**	0.72**	0.59**	-0.57**	0.11	0.36**	0.8467							
10. CF Align	0.50**	0.58**	0.58**	0.54**	0.46**	-0.50**	-0.05	0.21**	0.73**	0.6607						
11. CF Problems	0.53**	0.57**	0.49**	0.55**	0.50**	-0.46**	0.10	0.36**	0.71**	0.65**	0.7408					
12. CF Info	0.62**	0.70**	0.63**	0.67**	0.56**	-0.56**	0.04	0.37**	0.79**	0.71**	0.76**	0.8303				
13. CF Reaching Out	0.58**	0.71**	0.63**	0.68**	0.58**	-0.53**	0.03	0.34**	0.84**	0.75**	0.77**	0.87**	0.8445			
14. CF Competence	0.51**	0.58**	0.48**	0.59**	0.47**	-0.44**	0.07	0.28**	0.72**	0.56**	0.74**	0.81**	0.82**	0.7939		
15. CF Improvement	0.59**	0.63**	0.59**	0.62**	0.51**	-0.44**	0.10	0.39**	0.79**	0.64**	0.76**	0.81**	0.80**	0.81**	0.8156	
16. Fatalism	-0.20**	-0.21**	-0.26**	-0.22**	-0.32**	0.19	0.15	-0.03	-0.12	-0.16	-0.14	-0.06	-0.07	-0.05	-0.12	0.5725
# items	4	5	4	4	5	3	4	3	7	5	4	7	4	7	5	4
Mean	5.58	5.57	5.03	5.68	4.92	2.74	4.69	5.28	5.54	5.38	5.36	5.41	5.39	5.30	5.46	3.75
SD	1.15	1.20	1.39	1.21	1.40	1.53	1.30	1.45	1.10	1.09	1.22	1.11	1.40	1.01	1.17	1.24

* $p < 0.05$; ** $p < 0.01$.

Table 3 Comparison of Employee and Manager Perceptions of Service Quality (Managers = 65; Employees = 108)

ServQual Perceptions	Manager Mean	Employee Mean	<i>t</i>	<i>p</i>
Tangibility	5.5269	5.6350	-0.589	0.557
Reliability	5.5646	5.5977	-0.176	0.861
Responsiveness	5.0808	5.0370	0.197	0.844
Assurance	5.7692	5.6651	0.568	0.571
Empathy	4.9915	4.9150	0.354	0.724

Table 4 *T* Tests of Differences Between Manager and Employee Means on OCQ and CF (Managers *N* = 63; Employees *N* = 110)

Scale	Manager Mean	Employee Mean	<i>t</i>	<i>p</i>
OCQ Factor 1	2.8677	2.6898	0.730	0.466
OCQ Factor 2	4.8135	4.5894	1.131	0.260
OCQ Factor 3	5.3624	5.2099	0.665	0.507
Customer Focus—Vision	5.5215	5.5357	-0.082	0.935
Customer Focus—Align	5.3444	5.3787	-0.198	0.844
Customer Focus—Eliminate problems	5.2937	5.3396	-0.231	0.818
Customer Focus—Information	5.3443	5.4308	-0.486	0.628
Customer Focus—Reaching out	5.4071	5.4704	-0.300	0.764
Customer Focus—Competence	5.1678	5.3426	-1.077	0.283
Customer Focus—Improvement	5.4421	5.4370	0.027	0.978

Both OCQ Factors 1 and 2 are negative aspects of organizational life and thus are negatively associated with the positive issues of service quality. The positive OCQ Factor 3 is associated positively with the overall and many of the individual service quality factors. Thus, increasing a positive commitment to the organization and/or reducing the negative aspects of belonging to a retail organization may go a long way toward instilling greater perceptions of providing service quality.

Table 5 Regression of Service Quality Dimensions on OCQ (*N* = 178)

Service Perceptions (Dependent)	OCQ Scale (Independent)	Standardized Beta	<i>t</i>	<i>po</i>	Adj <i>R</i> ²	ANOVA	
						<i>F</i>	<i>p</i>
Overall	Factor 1	-0.525	-7.906	<0.001	0.382	36.835	<0.001
	Factor 2	-0.175	-2.827	0.005			
	Factor 3	0.198	2.908	0.004			
Tangibility	Factor 1	-0.458	-6.361	<0.001	0.273	22.809	<0.001
	Factor 2	-0.140	-2.2089	0.038			
	Factor 3	0.155	2.090	0.038			
Reliability	Factor 1	-0.528	-7.868	<0.001	0.370	35.011	<0.001
	Factor 2	-0.235	-3.767	<0.001			
	Factor 3	0.164	2.376	0.019			
Responsiveness	Factor 1	-0.472	-6.562	<0.001	0.263	22.095	<0.001
	Factor 2	-0.139	-2.068	0.040			
	Factor 3	0.116	1.566	0.119			
Assurance	Factor 1	-0.421	-5.838	<0.001	0.274	22.776	<0.001
	Factor 2	-0.150	-2.233	0.027			
	Factor 3	0.211	2.284	0.005			
Empathy	Factor 1	-0.416	-5.810	<0.001	0.270	22.854	<0.001
	Factor 2	-0.105	-1.569	0.119			
	Factor 3	0.213	2.896	0.004			

Hypothesis 3 predicted there would be nationality differences between retail service providers on perceptions of service quality, organizational commitment, and customer focus. We tested this hypothesis using analysis of variance (ANOVA); the results are shown in Table 6. The results indicate that there were differences between nationalities in their perceptions of service quality, but since 18 different nationalities were represented with quite different sample sizes, we did not test for differences between individual nationalities. We found no differences between nationalities on the Organizational Commitment Scale. There were significant differences between nationalities on the Customer Focus Scale for all elements except align.

Table 6 ANOVA of Nationality Versus Servqual, Organizational Commitment, and Customer Focus (N = 178)

Scale Parameter	ANOVA	
	F	p
<i>ServQual Perceptions</i>		
Tangibility	2.151	0.007
Reliability	1.583	0.075
Responsiveness	1.658	0.056
Assurance		
Empathy	1.866	0.025
<i>Organizational Commitment</i>		
OCQ Factor 1	1.305	0.196
OCQ Factor 2	0.917	0.556
OCQ Factor 3	0.750	0.747
<i>Customer Focus</i>		
Vision	2.206	0.006
Align	1.284	0.209
Eliminate problems	2.187	0.006
Information	2.253	0.005
Reaching out	2.100	0.009
Competence	1.869	0.025
Improvement	2.100	0.009

These results have implications for family retailers hiring contract and service employees from different countries. First, employees from different countries seem to differ on customer-oriented issues. This suggests that training programs may need to be implemented to help people from various countries understand the importance of customer service and orientation. Although not reported here, Indian employees tended to have higher perceptions of customer service and a greater customer focus than did Lebanese employees, although there was no difference in organizational commitment. This suggests that employees from most nations may well become committed to serving a retail operation.

The fourth hypothesis predicts that there will be a negative relationship between fatalism and perceptions of service quality, commitment to the organization, and customer focus. Using a mean split, we divided the fatalism scores into low fatalism (<3.75) and high fatalism (>3.75). This is a common technique for categorizing a construct and was used in this case to facilitate our understanding of the role of high and low fatalism. We found no significant differences between Lebanese and Kuwaiti, or other Arab, respondents on fatalism. Next, we compared means of the ServQual, OCQ, and Customer Focus scales with high and low fatalism using t tests. These results are reported in Table 7. All the results are significant at $p < 0.10$ and most are significant at $p < 0.05$. The only exceptions are the means of the OCQ Factor 3 scale, which were not significantly different. In addition, the differences between high and low fatalism are mostly in the hypothesized direction, except for the organizational commitment means, which were reversed. To summarize, respondents who were less fatalistic tended to score higher on both the ServQual and Customer Focus scales than those who were more fatalistic. In contrast, respondents who were more fatalistic tended to score higher on the organizational commitment scale than those who were less fatalistic. The results largely support Hypothesis 4. These results suggest that firms employing people from highly fatalistic cultures may need to train them in customer service procedures and in maintaining a customer focus. On the other hand, employees from high fatalism cultures may be more committed to the firm than those from lower fatalism countries. Culture does seem to matter, even in retail.

The fifth hypothesis considers firm size. We hypothesized that there will be a difference between small and large retail firms in employee perceptions of service quality they provide. Employees of smaller retailers will perceive their service quality to be greater than will larger firm employees.

Table 7 Comparison of High Fatalism Versus Low Fatalism on Means of SQ, OCQ, and CF Scales (*N* = 178)

Scale	Low Fatalism	High Fatalism	<i>t</i>	<i>p</i>
SQ Tangibility	5.850	5.279	3.357	0.001
SQ Reliability	5.822	5.308	2.912	0.004
SQ Responsiveness	5.305	4.722	2.801	0.006
SQ Assurance	5.945	5.375	3.179	0.002
SQ Empathy	5.218	4.564	3.140	0.002
OCQ Factor 1	2.502	3.004	-2.175	0.031
OCQ Factor 2	4.506	4.878	-1.950	0.053
OCQ Factor 3	5.287	5.265	0.103	0.918
Customer Focus—Vision	5.745	5.309	2.665	0.008
Customer Focus—Align	5.605	5.127	2.978	0.003
Customer Focus—Eliminate problems	5.551	5.108	2.378	0.019
Customer Focus—Information	5.579	5.222	2.165	0.032
Customer Focus—Reaching out	5.671	5.141	2.163	0.032
Customer Focus—Competence	5.422	5.141	1.815	0.071
Customer Focus—Improvement	5.708	5.196	2.977	0.003

Table 8 Comparison of Large (200+) and Small (<200) Employee Firms *T* Tests of Means (Small Firms *N* = 127; Large Firms *N* = 37)

Scale	Small Firms	Large Firms	<i>t</i>	<i>p</i>
Tangibility*	5.492	5.973	-2.316	0.024
Reliability	5.468	5.995	-2.544	0.013
Responsiveness	4.933	5.527	-2.480	0.016
Assurance	5.658	6.020	-1.668	0.105
Empathy	4.884	5.158	-1.043	0.301
OCQ 1**	2.827	2.315	1.985	0.051
OCQ 2	4.810	4.306	1.931	0.059
OCQ 3	5.336	5.198	0.501	0.618
CF Vision***	5.462	5.943	-2.578	0.012
CF Align	5.250	5.857	-3.100	0.003
CF Eliminate	5.283	5.615	-1.558	0.124
CF Information	5.368	5.695	-1.623	0.110
CF Reaching out	5.407	5.822	-1.812	0.075
CF Competence	5.272	5.432	-0.821	0.415
CF Improvement	5.399	5.643	-1.145	0.257

* Perceptions on ServQual Scale.

** Organizational Commitment Scale (Factors 1–3).

*** Customer Focus Scale.

To determine if there were differences between small (<200 employees) and large (200 employees or more) retail firms, we compared their means on the critical measures using *t* tests. We used 200 employees as our breakpoint because, though this was less than the mean number of employees, it did help balance the sample size of each category. Nevertheless, only 37 firms met our criteria for large and 127 were small. The differences in sample sizes may bias the results, which are reported in Table 8. There were significant differences between small and large firms on the ServQual, OGC, and Customer Focus scales, but they were not always in the hypothesized direction. We had expected small retailers to perceive that their quality of service was better than larger retailers, but this was not the case. In general, employees in larger firms perceived that they provided better service quality than those in smaller firms, even though not all dimensions of ServQual or Customer Focus were significant. Employees in smaller firms were generally more committed to the organization than were those in larger firms.

About 77% of the firms were classified as small; however, the mean number of employees was 376, with the largest firm having >20,000 employees and nine stores reporting more than 1,000 employees. These results suggest that the large firms may have reasonably good service training programs in place. Another explanation could be that because of the wide diversity of employee origins, all retailers have equivalent

training or service expectations. Smaller and, often, family retail businesses, however, do seem to have an advantage in employee commitment to the firm.

The sixth hypothesis examined the relationships between service perceptions and customer focus. We tested this hypothesis using backward stepwise multiple linear regression to develop the most parsimonious equations. These regressions are reported in Table 9. Overall, perceptions of service quality are related most strongly to the vision and information components of customer focus. Different dimensions of perceived service quality are influenced by different dimensions of customer focus. The one common dimension was vision. Information was also frequently related, but eliminate problems and improvement were not related. Reaching out was infrequently related and competence was only related to perceptions of responsiveness.

Table 9 Regressions of Service Perceptions on Customer Focus (Backward Stepwise Regression—Only Significant Variables Retained)

Service Perceptions (Dependent)	Customer Focus (Independent)	Standardized Beta	t	Pp	Adj R ²	ANOVA	
						F	p
Overall	Vision	0.516	6.742	<0.001	0.618	141.148	<0.001
	Information	0.316	4.133	0.005			
Tangibility	Vision	0.465	5.138	<0.001	0.466	76.362	<0.001
	Information	0.258	2.850	0.005			
Reliability	Vision	0.303	3.142	0.002	0.548	70.96	<0.001
	Information	0.248	2.313	0.022			
Responsiveness	Reaching out	0.240	1.971	0.05	0.475	53.207	<0.001
	Vision	0.514	5.572	<0.001			
	Information	0.376	3.446	0.001			
Assurance	Competence	-0.195	-1.996	0.047	0.583	107.270	<0.001
	Vision	0.524	6.289	<0.001			
	Information	0.260	3.115	0.002			
Empathy	Vision	0.354	3.102	0.002	0.357	48.815	<0.001
	Reaching out	0.275	2.408	0.017			

Managerial Implications

These results have implications for both family-owned retail businesses and global retailers. Satisfying customers remains the top priority, but operationalizing this concept requires a thorough understanding of customers' needs and what satisfies them. Here, family-owned businesses may be at an advantage because they can learn about their customers' needs and be more flexible in meeting those needs. According to Davis (1983) and Chua et al. (1999), a family-owned business has the advantage of demonstrating higher levels of concern for individuals, focusing more on the long run, and emphasizing quality and value. Kets de Vries (1993) found family businesses to be more flexible. Family-owned businesses may also be able to better understand the information needs of customers and provide that information. Reaching out and competence dimensions of customer focus were important in the reliability and empathy dimensions of customer service. Here again, astute family and small retail businesses may have the advantage. The competence scale of customer focus related to the responsiveness dimension of service quality. Both small and large retailers should be able to capitalize on this quality of customer focus.

Discussion

As retailing becomes more global, it is important to consider the needs of customers and employees of differing cultures. This study is an early attempt at learning more about the importance of service to customers and employees in small and medium-size family retail businesses in the Middle East and how best to manage the human side. As earlier described, this region is growing fast, in both population and economic influence. It is critical that global retailers understand this potentially huge market and how to best manage employees in this region with its wide variance of ethnicity and culture.

The cultures of the Middle East are unique in many aspects, but there is a general tendency toward fatalism. This is manifest in many ways, but particularly in one expression, "insha' Allah," roughly translated as

“Allah (God) willing,” but also sometimes used to suggest “if the boss wills it” (Rice, 1999). Insha’ Allah is used to explain many uncertainties in life. In Kuwait and Saudi Arabia, it seems to mean to delay or reposition responsibility and decision making. In Lebanon, it means that something is going to be done, unless something happens to prevent it from occurring.³ As the Middle East becomes more diverse with people from many different backgrounds working in the area, fatalistic attitudes should become less prevalent. Also, as more Middle Easterners travel outside their region, other, less fatalistic attitudes may become more pronounced, especially regarding service quality. Retailers may wish to develop strategies to improve service quality before their competitors do so.

Table 10 Tests of Hypotheses

Hypothesis	Tests	Results
1. Retail store managers and employees will not differ in their scores on service quality, commitment to the organization, or customer focus.	Tested by comparing managers and employees on ServQual dimensions (Table 3) and OCQ and Customer Focus (Table 4) using <i>t</i> tests. No differences found.	Supported.
2. The greater the commitment to the organization, the greater will be the perceived service quality provided by employees.	Regression indicated that service quality perceptions were dependent on OCQ factors (Table 5). Overall service perceptions were dependent on OCQ factors, but results were not significant for responsiveness and OCQ Factor 3 or for empathy and OCQ Factor 2. All other relationships were significant ($p < 0.05$).	Largely supported.
3. Service providers from different countries will differ in: <ul style="list-style-type: none"> a. Perceptions of service quality; b. Organizational commitment; and c. Customer focus. 	Tested with ANOVA (Table 6). There was no difference between nationalities on the OCQ Scale, but significant differences between nationalities on the ServQual and Customer Focus scales.	Largely supported.
4. The greater the fatalism, the less will be: <ul style="list-style-type: none"> a. Perceptions of service quality; b. Commitment to the organization; and c. Customer focus. 	Respondents with high fatalism scores were compared with those with low fatalism scores on means of SQ, OCQ, and customer focus using <i>t</i> tests (Table 7). Results generally support the hypothesis, in that people with lower fatalism scores typically scored higher on perceptions of service quality and customer focus. However, people with higher fatalism scores also tended to score higher on organizational commitment.	Largely supported.
5. Compared to larger retail stores, employees of smaller retail stores will: <ul style="list-style-type: none"> a. Perceive their service quality to be greater; b. Have greater commitment to the organization; and c. Have a greater customer focus. 	Tested by comparing means of the various scales with respondents from small and large firms (Table 8). The service quality and customer focus results tended to be in the opposite direction of that hypothesized. The OCQ Scale was only significant ($p < 0.10$) for Factors 1 and two.	Partially supported.
6. Service quality perceptions will be dependent on customer focus	Tested by backward stepwise regression of service quality perceptions on customer focus dimensions (Table 9). The overall and individual service quality dimensions were dependent on the vision factor and most were also related to the information factor.	Partially supported.

Global retailers may have both an advantage and a disadvantage in this regard. Their advantage may come from past experiences in improving service quality and in relying on sophisticated ways of measuring and managing it, especially through training. On the other hand, global retailers may be at a disadvantage in assuming that what management techniques work in other regions of the world will work in the Middle East. Certainly, there are motivational strategies that may be universal, but Middle East customers and employees are distinctive in many aspects of their behavior and will undoubtedly require unique management motivation and reward systems. This is where family-owned businesses may prevail. Being smaller and more flexible, family-run retailers should be able to understand their customers and fulfill their needs much more efficiently than can global retailers. Their competitive advantage is not in the huge buying power and extensive research capabilities, but in their ability to intimately know their customers and their needs. Price competition is unlikely to be their advantage, but service can be.

Our study also provides evidence on training methods for salespeople and retail employees in the Middle East. Training can influence the customer orientation of salespeople in improving responsiveness, reliability, and empathy, among other service dimensions when coupled with good management techniques that incorporate strong financial as well as nonfinancial reward systems. Retailers who differentiate on those aspects of management will enhance service quality in the Middle East, which should result in a competitive advantage.

Limitations

The results of this study are subject to four major limitations, some of which affect many exploratory studies. First, our data were gathered in only two countries in the Middle East—Kuwait and Lebanon. Although this adds to the richness of the study, it also limits our ability to predict from it. Second, the surveys were completed by a convenience sample of customers and retail managers and salespersons that may not represent the larger population. Convenience samples are always suspect in generalizing to a population, but this sample is fairly large and comprehensive. Third, we used self-reporting techniques, which may be biased. One of the concerns is the respondents' understanding of English. The data collectors determined this was not problematic. Fourth, we used scales that have not been adequately tested in either culture. This exploratory study indicates, however, that the scales may be useful in more than one culture. It is a start in developing more universal scales, if necessary. In addition, the measures have been used repeatedly in the past. Nonetheless, the generalizability of this study is limited. These limitations are not unusual in an international exploratory study of this nature. The value of understanding more about the Middle East, specifically Kuwait and Lebanon, outweighs the technical and theoretical limitations.

On the positive side, we have examined service quality and customer orientation in SMEs located in an area of the world not often researched or accessible to nonnatives. We believe this study contributes to the understanding of retail managers and salespersons in the Middle East. Progressive global retailers may benefit from the information on service quality and customer orientation of salespeople. Regional retailers may likewise benefit by understanding their own customer, manager, and salesperson dimensions of the measures used. For training purposes, this information could be particularly useful.

Future Research

Close to half a billion adults out of a worldwide population of six billion may be actively engaged in starting a new business (Reynolds, Bygrave, Autio, Cox, & Hay, 2002). A vast number of these are family businesses. Research is sorely needed that expands not only our understanding of the scope of family business internationally, but variations in family business by context and culture. The Panel Study of Entrepreneurial Dynamics was formed in 2001 to identify individuals in the process of creating new businesses and develops systematic, reliable, and generalizable data. The results of this 48-state U.S.-based study cannot be underestimated, and are reported in the *Handbook of Entrepreneurial Dynamics: The Process of Business Creation* (Gartner, Shaver, Carter, & Reynolds, 2004). However, the original panel design has been implemented in only a limited number of countries, including Argentina (de Rearte, Lanari,

& Atucha, 1998), Canada (Menziez, Gasse, Diochon, & Garland, 2002), Greece and the Netherlands (Wolters, 2000), Norway (Alsos & Kolvereid, 1998), and Sweden (Delmar & Davidsson, 2000), which do not include the Gulf Region or the Middle East. Additionally, although the study did gather some information as to whether the business was family based, the scope of the study in this regard was limited. This study is the first in an ongoing plan of research focusing on the Middle East and Asia. This, in a limited sense, contributes to our knowledge of family business in this part of the world. This study has suggested a number of management issues specific to Kuwaitis and Lebanese. Although we suspect there are differences between the two cultures, our study did not examine those differences in detail or differences in the family structure on the business. Further research should examine the differences between cultures and family structures and influence more closely. In addition, Kuwait and Lebanon may not represent other Middle East cultures, so a number of other countries in the Middle East, including Saudi Arabia, Bahrain, and the United Arab Emirates (UAE), should be included in future studies. Dubai, part of the UAE, and Bahrain, are positioned to be major trading centers and should be included in future studies. Future studies should also consider non-Arab Muslim cultures, such as Malaysia, Indonesia, parts of the Philippines, and non-Muslim Arab countries to see if differences in patterns of service quality and management styles exist. Also, mixed cultures, such as that of the Philippines, may be fruitful areas for research. Ultimately, research into the huge and economically growing emerging markets, including China and India, should provide a richer understanding of these fast-growing consumer markets and the influence of the family on these businesses.

As firms continue to be located in various parts of the world and as customers are exposed to increasingly better customer service, it becomes imperative that managers learn to manage employees from different cultural backgrounds. Indeed, the competitive advantage of the future may well be in delivering consistent levels of customer service no matter where a firm is located. Manager and service employee training will become the cornerstones of sustainable and competitive advantages in service quality.

Additionally, we would like to include observational data of these real managers to reveal if these managers actually do what they say they do in the surveys and what salespeople perceive they do. This would add to the observational data available on real managers in other parts of the globe and would aid in the understanding of how managers in the Middle East compare with other managers (Luthans, 1988; Luthans, Hodgetts, & Rosenkrantz, 1988; Luthans & Larson, 1986; Luthans & Lockwood, 1984; Luthans, Rosenkrantz, & Hennessey, 1985; Luthans, Welsh, & Rosenkrantz, 1993; Luthans, Welsh, & Taylor, 1988).

The Middle East faces demanding imperatives and challenges. Sayigh (1999) identifies these international challenges as arising from a process of transforming into a world economy and states that they include trade liberalization, globalization, integration, and structural reform. If indeed the Middle East is to transform itself, better understanding of its management techniques and culture is needed.

Notes:

1 For the purposes of this article, “Middle Eastern countries” refers to the countries of Algeria, Bahrain, Djibouti, Egypt, Iran, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen, as defined by the International Monetary Fund (IMF).

2 “Gulf Region” refers to the countries of the Gulf Cooperation Council—Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates, as defined by the IMF.

3 The different meanings for Insha’ Allah in Kuwait, Saudi Arabia, and Lebanon were kindly provided by an anonymous reviewer.

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