

SME MANAGEMENT IN THE MIDDLE EAST: AN EXPLORATORY STUDY

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Welsh, D.H.B., & Raven, P. (2004). An exploratory study of SME management in the Middle East. *International Journal of Entrepreneurship & Small Business*, 1(1/2), 121-135.

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Abstract:

The Middle East is a growing, lucrative marketplace that recently has captured the interest of the world for political as well as economic reasons. This exploratory study examines retail small/medium enterprises (SMEs) management and employee perceptions of customer service on a number of dimensions. The results suggest that managers and employees in the Middle East behave in similar ways to those in western countries, but 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, employees, and customers in the region that are vital to their success. Implications for practice are discussed.

Article:

INTRODUCTION

While many Europeans and Americans recognize the Middle East to be an oil-rich region, fewer have a deeper understanding of the market opportunities in the region (Abbasi and Hollman 1993). The discovery of commercial quantities of oil in the 1930s has enabled the transformation from a nomadic desert society to the economically and ethnically varied countries of the modern Middle East (Department of Commerce 2001). Today, Middle Eastern economies are diversifying and wealth is spreading beyond the royal families to those in lower socio-economic classes. The growth of the middle class has been significant.

The wealth produced by oil has attracted a huge immigrant population that amounts to over 60 percent of the population in Kuwait. Most immigrants originate from the Arab world, from Egypt to Syria, and provided doctors, teachers, engineers, office staff, and skilled workers to this country before 1990 (Russell 2000). Immigrants from India, Pakistan, and other parts of Asia fill service jobs, and are in the lower economic strata. Additionally, there are a few European and American expatriates that work in the oil, finance and commerce, or defense industries in the upper economic bracket in Kuwait (Russell, 2000). In Lebanon, 95 percent of the population is Arab, 4 percent Armenian, and 1 percent other nationalities (Russell 2000). Like Kuwait, Lebanon has been faced with war. However, unlike Kuwait, Lebanon has not been politically stable. Therefore, there has been much less foreign investment in Lebanon. Given the current exchange rates, Lebanese products should win markets across the region (Russell 2000).

This growing middle and upper-middle class has spurred the development of retail stores in many Middle Eastern countries, especially in the Gulf Region. As global retailers penetrate the Middle East and as the Middle Eastern customer becomes more sophisticated, the importance of good management practices increases. While many Western retailers have devoted time and resources to better manage their employees, venturing into the Middle East presents new and intriguing challenges.

In this study we examine customer service, from the perspectives of both customers and salespeople, and managers across a variety of stores in Kuwait and Lebanon. We then compare measures of customer service with salesperson customer orientation. The results should help global and local retailers better understand their Middle Eastern customers and what they expect in the way of retail store service and how to better manage and train employees to provide such service.

BACKGROUND AND LITERATURE REVIEW

History of the Gulf Region

Culture. To understand the people of the Gulf Region, one must first understand the importance placed on culture, religion, and nationality. It is on these two cornerstones that human relations are based, including employee management and customer relations. It is imperative to first understand that the residents of the Gulf Region are not strangers to contradiction and conflict. Idiosyncrasies, both ancient and modern, have shaped this region. Since the discovery of oil in the Gulf Region, the region has been in transition. The subsequent increases in revenue have resulted in drastic changes and significant industrialization within these countries (Abbasi and Hollman 1993; Ali 1990; Ali and Al-Shakhis 1986).

Contact with Western countries and corporations improved the standard of living in the Gulf Region through better education, improved healthcare, greater mobility, and increased communication (Ali 1990; Ali and Al-Shakhis 1986). Western thought often conflicts with Arab culture and religion. Industrialization, while welcome, complicates the duties of employees who strive to achieve modern results while maintaining their traditional values. This duality is not new to the people of the Gulf Region. Contradiction is an inherent part of Islamic culture. For centuries, Muslims have upheld religious ideals that conflict with political routine (Ali 1990, 1993).

Religion. Islamic culture shapes the region, and therefore the businesses that operate there. Islam affects all aspects of human resource management, including employer-employee relations, employee reward systems, and customer service. Passages in the Quran, the Islamic holy book, specifically address business transactions, from spending habits to financial and management concepts. Different interpretations of the Quran are yet another source of contradiction and are the basis of differences in the culture (Ali 1990).

Management style is one contradiction, which finds roots in differing Muslim sects. Authoritarianism is predominant in large organizations while consultative methods prevail in other arenas. Some Islamic sects prefer consultative methods of management, which is more consistent with tribalistic traditions (Ali 1989a; Ali and Al-Shakhis 1986) while others prefer religious interpretations that promote authoritarianism and encourage absolute authority of rulers

(Ali 1990). Early colonial possession of the region also set a precedent of authoritarianism (Abbasi and Hollman 1993; Ali 1990). These patterns find additional roots in the 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 key positions within organizations (Abbasi and Hollman 1993). Additionally, family members often collect regular pay but are not required to work (Ali 1990). However, consultative methods are proven to be more effective with multicultural workforces, such as those that are predominately found the Gulf Region (Enshassi and Burgess 1991).

Tribal-family relations and religion effect other aspects of the workplace. Employees and especially managers from the Gulf Region tend to disregard rules and procedures as man-made prefects (Ali 1993). They prefer flexibility, but are by no means risk-takers. Tribal-family norms and values encourage conformity and discourage creativity (Ali 1990, 1993). Stability is highly valued in Islamic culture (Ali 1990). Employees from the Gulf Region are rarely innovative; they prefer implementing someone else's plan to developing creative strategy (Ali 1989b, 1990). Other characteristics of Gulf Region employees include a tendency to avoid delegation and an inherent belief that centralization encourages respect (Ali 1989b).

Nationality. In addition to religion, nationality probably has the next most significant effect on human relations. Saudi Arabians tend to be more conformist and have high structure needs compared to other Gulf Region residents. Saudi Arabians are more authoritarian. 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 (Ali 1988). Kuwaiti organizations were the first to hire employees based on education rather than family connections (Yasin and Stahl 1990). The Iraqi and Qatari hold more existential values and lean towards taking a more consultative approach (Ali 1988, 1989a). A pseudo-consultative style is dominant in Kuwait. There is more importance placed on consensus and consultation, but often decisions are made without considering the discussions they facilitate (Ali 1989a). Gulf Region employees under 30 years of age generally prefer a more participative work environment (Ali 1989a; Yasin and Stahl 1990).

Retailing

The Middle East, preferably referred to as the Gulf Region by those who live there, has been largely neglected by Western marketing and consumer behavior scholars, yet is becoming of increasing importance to them (Tuncalp 1988). Probably because retailing is a high-service industry, often characterized by small stores, and for other reasons, such as the lack of incentives and ignorance about other cultures and consumer behavior, retailers have been reluctant to cross national boundaries – at least very far. As home markets become more saturated, though, it becomes imperative for those retailers who can to expand to new markets. Lately, U.S. retailers such as Walmart and others have expanded into the EU and other markets (Drucker 1993; Management Ventures 1998). Likewise, European retailers, including IKEA, have penetrated the North American markets and other non-European markets (IKEA 2001).

North American retailers, in fact, may have significant advantages in the Middle East for several reasons:

- Many are recognized globally, especially as Middle Eastern residents travel and study in North America.
- North American retailers are considered some of the best in the world, especially concerning customer service and product choice.
- Larger North American retailers usually have sophisticated infrastructure in place, including supply and distribution channels.
- Because the retail business is so competitive at home, North American retailers are often very efficient and frequently lower cost than those from other countries.
- North American consumer products are well known throughout the world as some of the best value.

Even though the biggest U.S. retailers are larger than their global competitors, they are typically less global. European retailers have taken the lead in globalization, leaving U.S. retailers far behind (Clarke 2001). European retailers, like their American counterparts, are facing increasing competition at home. Their response has been to expand their markets to other EU countries. As their home markets mature, western retailers concentrate on improving service and convenience. These issues are also important as global retailers expand their markets to other countries, including the Middle East.

The Market

The Middle East is home to ancient civilizations and trading has long been an important function in this part of the world. Much of the area's needs continue to be secured through imports (Leonidou 1995; Tuncalp 1988). Kuwaiti imports amounted to \$8.1 billion in 2000 and included food, construction materials, vehicles and parts, and clothing. These imports came from the US (22%), Japan (15%), UK (13%), Germany (8%), and Italy (6%) (International Monetary Fund, 2000; Moody's, 2000). As in many developing countries, retail stores abound in Middle Eastern countries, but most are rather small. They range from the peddler on the street, to small sidewalk stores selling spices, to large, western-style department stores. There are some important differences between retailing in the Middle East and in Western countries, though.

- Residents of most Middle Eastern countries are Muslim, although there is a wide degree of variance in practice. In the most dogmatic countries, such as Saudi Arabia, religious traditions require separation of genders and other modifications to retail physical structures.
- Traditional business practices may still persist. The art of negotiation, or haggling, over prices still exists, but may be inconsistent with modern retailing. Also, most shopping in Saudi Arabia, for example, takes place in the evenings on Thursdays and Fridays (Alawi 1986).
- Westerners are continually advised of the lack of peace in the Middle East, especially between Israel and Palestine. To many Westerners, this unrest may be perceived to encompass all of the Middle East.

On the other hand, Middle Eastern customers are increasingly sophisticated in their needs (Leonidou 1995). Many have traveled to important shopping areas around the world, such as Paris, New York, and London. Access to various forms of media, including broadcast, print,

and, increasingly, the Internet, has provide Middle Eastern customers with knowledge and information.

In addition, many Middle Eastern customers have high disposable incomes and the means to buy luxury goods. Income distribution is highly skewed, but average incomes, although modest by Western standards, are mostly disposable incomes, as the Gulf states provide most services and charge little or no taxes, other than the zakat, a tax mandated by Islamis law (Gordon 1999; Zanoayan 1995). The oil-rich Gulf States of Saudi Arabia, Kuwait, United Arab Emirates, Oman, Bahrain, and Qatar make up the major market for Western retailers. The Gulf States account for the majority of imports into the region from industrialized countries. As they anticipate a decrease in oil reserves, some countries are diversifying into other economic areas, especially financial institutions (Abbasi and Hollman 1993).

The Gulf States are becoming much less homogeneous in ethnicity and therefore needs. Many natives have hired foreign workers to do the more menial tasks. As a result, much of the population is made up of people from the Philippines, Indonesia, India, Pakistan, and other nearby nations. These people often have very different wants and ways by which their needs are satisfied. This, of course, represents opportunities for retailers of all types (Abbasi and Hollman 1993).

Service Quality

While service quality and satisfaction have been studied to a considerable extent in the U.S., they have been given less emphasis in other countries, especially developing countries. Winsted (1999) found that different cultures do have different expectations of service quality. The consumerism movement, taken for granted in the U.S., is also extending to developing countries, but at different rates (Kaynak, Kucukemiroglu, and Odabasi 1992). Because of this, different quality levels of service may be expected and delivered in developing countries (Malhotra et al. 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 consumer 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 sales people, it is especially critical to understand service quality.

Measuring service quality outside the U.S. has been done to a limited extent. At issue has been the validity of measures used in the U.S. and the industries sampled (cf. Donnelly, Van'T Hull, and Will 2000; Lam 1997; Wetzels, Ruyter, and Lemmink 2000). Little work has been reported comparing customer and salespeople perceptions of service quality in domestic or international retail operations. It is of interest here due to the expanding role of retailers into the Middle East.

Tests of Propositions

In developing countries without a strong tradition of consumerism, issues of who should control the service encounter may not be well defined and there may not be recognized standards of service quality. Rafaeli (1989) examined grocery stores in Israel and found a poorly developed service concept allowed cashiers great freedom in struggling for control. In fact, arguments

between customers and salespeople were not uncommon, especially during busy times (Rafaeli and Sutton 1990). In our study, we expect similar results, formalized in the following propositions:

P1: Customer perceptions of Service Quality will be less than that of the perception of the service providers.

Rationale: Customers will normally perceive they did not get the service quality that employees think they provide.

Table P1. Comparison of Employee and Customer Perceptions of Service Quality (N=450)

ServQual Perceptions	Employee Mean	Customer Mean	T	P
Tangibility	5.5852	5.5024	.753	.452
Reliability	5.5754	5.4786	.869	.386
Responsiveness	5.0311	4.8669	1.267	.206
Assurance	5.6828	5.5519	1.163	.246
Empathy	4.9168	4.7739	1.108	.269

Explanation: There are no statistical differences between the employee and customer means on the components of service quality perceptions, suggesting that both perceive about the same levels of service quality provided. There are numerical differences, generally in favor of the employees, but these are not statistically significant. The data does not support this proposition.

P2: Retail store managers and employees will not differ in their scores on standard tests for service quality and commitment to the organization.

Rationale: both managers and employees should be equally committed to serving both their customers and their firms.

Table P2. t-tests of differences between manager and employee means on various scales (Manager N=63; Employee N=110)

Scale	Manager Mean	Employee Mean	T	P
SOCO	6.5483	6.4612	.439	.661
OCQ factor 1	2.8677	2.6898	.730	.466
OCQ factor 2	4.8135	4.5894	1.131	.260
OCQ factor 3	5.3624	5.2099	.665	.507
Customer Focus – Vision	5.5215	5.5357	-.082	.935
Customer Focus – Align	5.3444	5.3787	-.198	.844
Customer Focus – Eliminate Problems	5.2937	5.3396	-.231	.818
Customer Focus – Information	5.3443	5.4308	-.486	.628
Customer Focus – Reaching Out	5.4071	5.4704	-.300	.764
Customer Focus – Competence	5.1678	5.3426	-1.077	.283
Customer Focus – Improvement	5.4421	5.4370	.027	.978

Results: there are no significant differences between managers and employees on the means of the scales used. The data suggests an equal commitment between managers and employees to both the firm and to its customers.

P3: The greater the commitment to the firm, the greater will be the perceived service provided by employees.

Rationale: The Organizational Commitment Questionnaire (OCQ) measures organizational commitment on two dimensions (McGee and Ford 1987). Our data, however, indicated five factors, of which three major factors accounted for almost 43% of the variance. This is in contrast to the two-factor solution of the McGee and Ford (1987), where the first factor had a very low scale reliability (.23). Because of that low reliability, we factor-analyzed the scale items and used the dominant three factors with satisfactory reliabilities. These factors had reasonably good reliabilities (alpha). Factors one and three represent the Affective Commitment Scale, while factor 2 represents the Continuance Commitment Scale.

Service Perceptions	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
OVERALL	Factor 1	-.525	-7.906	<.001	.382	36.835	<.001
	Factor 2	-.175	-2.827	.005			
	Factor 3	.198	2.908	.004			

Service Perceptions Tangibility	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
	Factor 1	-.458	-6.361	<.001	.273	22.809	<.001
	Factor 2	-.140	-2.2089	.038			
	Factor 3	.155	2.090	.038			

Service Perceptions Reliability	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
	Factor 1	-.528	-7.868	<.001	.370	35.011	<.001
	Factor 2	-.235	-3.767	<.001			
	Factor 3	.164	2.376	0.019			

Service Perceptions Responsiveness	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
	Factor 1	-.520	.7881	<.001	.258	31.243	<.001
	Factor 2	-.115	-1.737	0.084			

Service Perceptions	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P

Assurance	Factor 1	-.421	-5.838	<.001	.274	22.776	<.001
	Factor 2	-.150	-2.233	.027			
	Factor 3	.211	2.2845	0.005			

Service Perceptions	OCQ Scale	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Empathy	Factor 1	-.414	-5.718	<.001	.268	32.662	<.001
	Factor 3	.190	2.625	.009			

P4: Service quality perceptions will be dependent on the service orientation of employees.

Rationale: The perception of service quality is related to the service quality orientation of sales employees.

Service Perceptions	SOCO Standardized Beta	Adj R ²	ANOVA	
			F	P
OVERALL	.619	.380	107.641	<.001

Service Perceptions	SOCO Standardized Beta	Adj R ²	ANOVA	
			F	P
Tangibility	.529	.276	67.186	<.001
Reliability	.530	.277	67.557	<.001
Responsiveness	.577	.329	86.378	<.001
Assurance	.541	.289	71.151	<.001
Empathy	.519	.265	63.419	<.001

P5: Service quality will be related to employee scores on the Customer Focus Scales.

Rationale: If employees are customer focused, then they should also have higher levels of perceived service.

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
OVERALL	Vision	.516	6.742	<.001	.618	141.148	<.001
	Information	.316	4.133	.005			

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Tangibility	Vision	.465	5.138	<.001	.466	76.362	<.001
	Information	.258	2.850	.005			

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Reliability	Vision	.303	3.142	.002	.548	70.96	<.001
	Information	.248	2.313	.022			
	Reaching Out	.240	1.971	.05			

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Responsiveness	Vision	.514	5.572	<.001	.475	53.207	<.001
	Information	.376	3.446	.001			
	Competence	-.195	-1.996	.047			

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Assurance	Vision	.524	6.289	<.001	.583	107.270	<.001
	Information	.260	3.115	.002			

Service Perceptions	Customer Focus	Standardized Beta	T	P	Adj R ²	ANOVA	
						F	P
Empathy	Vision	.354	3.102	.002	.357	48.815	<.001
	Reaching Out	.275	2.408	.017			

Interpretation: 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.

Exploration of Variables Affecting Overall Service Perceptions

Independent Variables	Standardized Beta	t	P	Adj R ²	ANOVA	
					F	P
Customer Focus – Vision	.368	4.636	<.001	.675	72.850	<.001
Customer Focus – Information	.260	3.573	<.001			
SOCO	.197	3.396	.001			
OCQ Factor 1	-.148	-2.618	.010			
OCQ Factor 2	-.137	-3.100	.002			

Explanation: The customer orientation scales, Customer Focus and SOCO, are positively related to explaining overall service perceptions. The Organization Commitment Scale factors 1 and 2, are negatively related to service perceptions. These variables explain more than 67% of the variance, suggesting they can well predict service perceptions by employees

METHODOLOGY

Sample

As part of a larger study, retail store employees in Kuwait and Lebanon were surveyed. Employees, primarily salespeople and their managers, were surveyed in approximately 100 retail stores, resulting in a sample of 178 usable responses. A profile of the sample is found in Table 1.

Table 1. Profile of employees (N=178)

Demographic	Percent*
Gender:	
Female	36.9
Male	63.1
Age (years):	
25 and under	18.9
26-35	50.3
36-45	18.3

46-55	8.6
56 and older	3.9
Nationality:	
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
Years Employed	
< 5 years	59.6
5-10 years	25.2
> 10 years	15.2

* Except for years employed

As indicated in Table 1, the retail stores were in the countries of Kuwait (85.7%) and Lebanon (14.3%). The stores were located in shopping centers (40.3%), on the street (23.8%), or separately (34.7%). Ninety six stores were sampled – the vast majority were small enterprises. (see Table 2). A wide variety of products were offered by the retail stores, including automotive parts, electronics, travel, banks, fashion clothing, sports, food, books, as well as a variety of other products and services. Customers were primarily sampled within the physical store boundaries.. The majority of the employees sampled were sales personnel, but managers and those with direct customer contact also surveyed.

Measures

ServQual The primary measure of interest was service quality, comparing expected service and perceived service outcomes. The ServQual scale (Parasuraman, Zeithaml, and Berry 1986,

1988) validity and reliability has been well-supported. 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, etc.
- 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 (e.g., Cronin and 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 unidimensional, but also reliable. A modified version of ServQual was recently used to determine quality of service in marketing research agencies in the U.K. The authors concluded, notwithstanding the criticisms of the scale, that the instrument has practical applicability (Donnelly, Van'T Hull, and Will 2000) in cross-cultural contexts. For the purposes of our study, we compared only the perceptual measures since these are more realistic indicators of customer service.

Customer Orientation of Salespeople The SOCO (Sales Orientation – Customer Orientation) scale measures the level of customer-oriented selling (Saxe and Weitz 1982). The scale consists of 24 items related to actions a salesperson might take when dealing with customers. The 9 - point Likert scale ranged from “True for none of my customers – NEVER” and “True for all my customers – ALWAYS.”

The SOCO scale has been used in a variety of studies to compare customer-oriented ethical behavior (Honeycutt, Sigauw, and Hunt 1995; Howe, Hoffman, and Hardigree 1994), as well as sales performance (Brown, Widing, and Coulter 1991; Swenson and Herche 1994). Only Honeycutt, Sigauw, and Hunt (1995) used the scale in a cross-cultural context. In that study, the response of Taiwanese and American auto sales people were compared in several posed ethical dilemma scenarios. The study concluded that ethics training did have a significant effect on customer orientation.

OCQ (Organizational Commitment Questionnaire). This scale is derived from McGee and Ford (1987), who had reassessed and revised the original version of Meyer and Allen's (1984) scale, finding an additional factor in the Continuance Commitment portion. Our data, however, did not support McGee and Ford (1987) because the reliabilities of the measures were very low, discouraging their use.

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, with eigen values greater than one, 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 one and three

represent the Affective Commitment scale, while factor two represents the Continuance Commitment scale. An explanation of each factor follows:

- OCQ factor one relates to the feeling of not belonging to and 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 two relates more to the negative consequences of leaving, such as few opportunities, disruption of life, etc. 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.”
- Finally, OCQ factor three seems to relate 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). Each of the published scales were found to be reliable and were 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) – was determined by four items. Representative items such as, “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) – 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.”

RESULTS

The psychometric analyses of the scales are listed in Table 2. This table shows the reliability of the scales on the diagonal (in bold) and the correlation coefficients in the other cells. At the bottom of the table we list the number of items constituting a scale, the means of each scale, and standard deviations. Test of the propositions follow.

Differences between small and large firms

P1: There will be a difference between small and large retail firms in employee perceptions of service quality provided. Employees of smaller retailers will perceive their service quality to be greater than will larger firm employees.

To determine if there were differences between small (<100 employees) and large (100 employees or more) retail firms, we compared their means on the critical measures using t-tests. These results are reported in Table 3. There were no significant differences between small and large firms on the ServQual Perception scales, the Customer Focus scales, or the SOCO scale. We had expected small retailers to perceive their quality of service was better than larger retailers, but this was not the case. Both small and large retailers perceived their quality of service to be better than the midpoints on each of the scales used.

While about 60% of the firms were classified as small, the mean number of employees was 376, with the largest firm having >20,000 employees and nine stores reporting more than 1000 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, that all retailers have equivalent training or service expectations.

Service Quality and Service Orientation

P4: Service quality perceptions will be dependent on the service orientation of employees.

Rationale: The perception of service quality is related to the service quality orientation of sales employees. It “stands to reason that” the greater the service orientation of employees that this should be translated into higher perceptions of service quality. Again, since service quality is multidimensional, we test each of the five aspects against SOCO, as well as the Overall measure –a linear combination of the individual tests.

Table P4: ServQual Perceptions and SOCO

Service Perceptions	SOCO Standardized Beta	Adj R ²	ANOVA	
			F	P
Overall	.619	.380	107.641	<.001
Tangibility	.529	.276	67.186	<.001
Reliability	.530	.277	67.557	<.001
Responsiveness	.577	.329	86.378	<.001
Assurance	.541	.289	71.151	<.001
Empathy	.519	.265	63.419	<.001

All of the regressions are significant and indicate that the SOCO scale is predictive of the perceived service dimensions of the ServQual scale. In other words, SOCO and ServQual are highly correlated and seem to measure about the same constructs. The service orientation – customer orientation of sales people seems to be related to the five dimensions of perceptions of service quality of salespeople, explaining 38% of the variance. Each of the individual service perceptions also relate to the SOCO scale, but at lower levels of variance explanation.

DISCUSSION

As retailing becomes more global, it is important to consider the needs of customers and employees of differing cultures. This is affected by the management styles that are practiced. This study is an early attempt at learning more about the importance of service to customers and employees 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.

We found that there were indeed differences between service quality gaps of customers and retail employees, but not on all dimensions of the ServQual instrument and not always in the direction we expected. The gaps were positive for both customers and employees for responsiveness and empathy, indicating service employees tended to provide higher levels of these aspects of service quality than expected. Examining the means of expectations and perceptions separately (see Tables 3 and 4), it becomes clearer that expectations were lower than for other ServQual dimensions, as were the perceptions. So, even though the gap was in favor of perceptions, the mean expectation and perception levels were lower than for other dimensions, indicating low service levels on responsiveness and empathy. Managers wishing to differentiate their retail service from competitors could use this information to train contact employees better on responsiveness and empathy.

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 may also be used to suggest, “if the boss wills it” (Rice 1999). Insha’ Allah is used to explain many uncertainties in life and sometimes to delay or reposition responsibility and decision-making. In our study, we thought fatalism might relate to expectations of service quality, and the data supported that expectation. As the Middle

East becomes more diverse with peoples 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. Retailers may wish to develop strategies to improve service quality before their competitors. 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 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.

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

This study, while providing much useful and interesting information, is not without its flaws. First, our study was limited to two countries in the Middle East, Kuwait and Lebanon. Second, the surveys were completed by a convenience sample of customers and retail managers and employees who may not represent the larger population. Third, we used self-reporting techniques, which may be biased. Fourth, we used scales that have not been adequately tested in either culture. These defects may reduce the generalizability of our study.

On the positive side, we have examined service quality and customer orientation in SMEs located in an area of the world not often researched. We believe this study contributes to understanding customers and retail managers and employees 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 employee dimensions of the measures used.

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Table 2. Profile of Retail Stores

Stores in Country:	
Kuwait	85.7
Lebanon	14.3
Stores in Location:	
Shopping Center	40.3
On Street	23.8
Separate	34.7

Table 3 Correlations and Psychometric Analysis

(Reliability on Diagonal)

Scale	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Tangibility	.7264															
2. Reliability	.79**	.7897														
3. Responsiveness	.64**	.73**	.7115													
4. Assurance	.76**	.75**	.74**	.7619												
5. Empathy	.56**	.64**	.76**	.67**	.7932											
6. SOCO	.53**	.53**	.58**	.54**	.52**	.8836										
7. OCQ F1	-.51**	-.57**	-.50**	-.49**	-.50**	-.54**	.7704									
8. OCQ F2	-.03	-.12	-.04	-.03	.01	.10	-.14	.6852								
9. OCQ F3	.32**	.33**	.29**	.36**	.37**	.37**	-.44**	.27**	.7240							
10. CF Vision	.66**	.70**	.67**	.72**	.59**	.62**	-.57**	.11	.36**	.8467						
11. CF Align	.50**	.58**	.58**	.54**	.46**	.53**	-.50**	-.05	.21**	.73**	.6607					
12. CF Problems	.53**	.57**	.49**	.55**	.50**	.49**	-.46**	.10	.36**	.71**	.65**	.7408				
13. CF Info	.62**	.70**	.63**	.67**	.56**	.49**	-.56**	.04	.37**	.79**	.71**	.76**	.8303			
14. CF Reaching Out	.58**	.71**	.63**	.68**	.58**	.55**	-.53**	.03	.34**	.84**	.75**	.77*	.87**	.8445		
15. CF Competence	.51**	.58**	.48**	.59**	.47**	.36**	-.44**	.07	.28**	.72**	.56**	.74**	.81**	.82**	.7939	
16. CF Improvement	.59**	.63**	.59**	.62**	.51**	.49**	-.44**	.10	.39**	.79**	.64**	.76**	.81**	.80**	.81**	.8156
# items	4	5	4	4	5	24	3	4	3	7	5	4	7	4	7	5
Mean	5.58	5.57	5.03	5.68	4.92	6.50	2.74	4.69	5.28	5.54	5.38	5.36	5.41	5.39	5.30	5.46
S.D.	1.15	1.20	1.39	1.21	1.40	1.24	1.53	1.30	1.45	1.10	1.09	1.22	1.11	1.40	1.01	1.17

** P<0.01

Table 4. Comparison of Large (100 +) and Small (<100) Employee Firms
t-Tests of Means
(small firms n=99; large firms n=65)

Scale	Small Firms	Large Firms	t	P
Tangibility *	5.5985	5.6026	-.021	.983
Reliability *	5.5242	5.6823	-.827	.409
Responsiveness *	4.9545	5.2385	-1.295	.197
Assurance *	5.7262	5.7615	-.189	.851
Empathy *	4.9301	4.9692	-.176	.861
CF Vision **	5.4620	5.7370	-1.603	.111
CF Align	5.2959	5.5277	-1.306	.194
CF Eliminate	5.2431	5.5308	-1.502	.135
CF Info	5.3753	5.5429	-.962	.338
CF Reaching Out	5.3007	5.5615	-1.171	.243
CF Competence	5.2725	5.3626	-.563	.574
CF Improvement	5.4170	5.5108	-.506	.613
SOCO ***	6.5561	6.5926	-.184	.854

* Perceptions on ServQual Scale

** Customer Focus Scale

*** Sales Orientation Customer Orientation