Factors affecting small and medium family businesses' internationalisation in Saudi Arabia

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Abstract: This study is aimed to investigate factors that influence small and medium enterprises towards internationalisation in the Kingdom of Saudi Arabia. There are variables delineated from theories which influence the firm’s internationalisation, which include: size of the firm, age of the firm, education of the manager, training, experience of the manager and network relationship. The descriptive and multivariate regression analyses were used to analyse the data. A combination of stratified and snowball sampling techniques is adopted with a sample size of 119 managers of small and medium enterprises. The results of the research were consistent with past studies where it was revealed that the firm size, manager experience, training and network relationship had a significantly positive relationship with internationalisation. However, contrary to current findings outside Saudi Arabia, education of the manager and age of the firm did not have a significant positive relationship with internationalisation. This study could be considered as a pioneer study of internationalisation within the context of Saudi Arabia and expose the specific factors considered by Saudi Arabia family business managers who intend to embark on internationalisation.

Keywords: small and medium enterprise; SME; internationalisation; family businesses; Saudi Arabia.


Biographical notes: Ahmad Rafiki is currently an Assistant Professor in Department of Business Administration of University College of Bahrain. He obtained his BBA with a major of Marketing from the MARA University of Technology (UiTM), Masters in Management from the International Islamic University of Malaysia (IIUM), and PhD in Economics and Muamalat Administration from the Islamic Science University of Malaysia (USIM). He is holding a Certified Islamic Marketer (CIMA) from the International Islamic Marketing Association (IIMA). He has published a number of articles in refereed journals, and became the editorial advisory board and reviewer in reputable international journals.
1 Introduction

Family businesses are increasingly facing a lot of challenges globally as a result of demographic changes in the population, globalisation and revolution in information technology, which has made it easy for customers to order substitutes from countries thousands of kilometres away. Family businesses have to start thinking outside their local environment in order to survive and continue business. The winners will be those family businesses with the agility and flexibility to adapt and keep pace with the new technology and environment.

A number of studies have sought to highlight the main influencing factors which encourage the movement of family businesses outside their traditional markets. Some of the factors that have been shown include: availability of information related to foreign markets (Welch and Wiedersheim-Paul, 1980), human capital (Oviatt and McDougall, 1995) and company size and financial capital (Bloodgood et al., 1996). Others include management team’s international experience (Reuber and Fischer, 1997), network relationships (Zahra et al., 2000), information deriving from environmental scanning (Autio et al., 2000), background of managers, including the age of the manager (Carpenter and Fredrickson, 2001), inter-firm relationships (Dana, 2001) and the degree of external ownership (George et al., 2005; Bell et al., 2004). While one of the major fears for many family businesses seem to dislike internationalisation, this is due to the loss of control through a possible change in capital structure (Romano et al., 2000). Moreover, numerous researchers have studied the concept of internationalisation or cross border investments by family businesses in other regions other than the Middle East (Kontinen and Ojala, 2010). Although all family businesses share similar characteristics, regardless of their size, sector, or market, family firms in the Middle East have a slightly different profile, which raises some significant and interesting challenges (PWC, 2013).

In the Middle East, family businesses make up about 80% of the businesses (PWC, 2013) yet little has been known about factors which influence their decision to invest outside their region. It is important that family business managers and their stewards understand the challenges facing their businesses and also overcome the fear of the unknown which prevents cross-border expansions. Therefore, there is a need to
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understand from their unique point of view, the most important factors influencing their decision to invest outside their region in a process known as internationalisation. This is related to a diversified economy program of the country, where oil-based income producer. However, the focus of this study will be on small and medium enterprise (SME) family businesses. An analysis of influencing factors on decision for internationalisation of small and medium family owned firms consist of components as they have been proposed by Storey (Rafiki and Abdul-Wahab, 2013). These include education, experience, firm age and size and networking. All of these are derived from the three components of human and social capital and firm theories. Thus, this study aims to examine whether those mentioned factors influence small and medium family businesses internationalisation in Saudi Arabia or otherwise.

2 Literature review

2.1 Family businesses

Family businesses dominate all types of other businesses across almost all regions of the globe. Some of the reasons for this dominance results from a number of factors which may include the ease of start-up, cheap labour through family members, availability of socio-emotional wealth, availability of trust and cheap capital from family members especially against the backdrop of the global financial meltdown (Patel et al., 2012; Astrachan et al., 2003). This type of business range from small corner stores to corporations and it has been found that about 35% of S&P 500 firms in the USA are family-controlled firms (Anderson and Reeb, 2003). Furthermore, according to a study by the Global Entrepreneurship Monitor (GEM) in 2002, family business investments as a percentage of informal investments ranges between 30%–80% (Hay et al., 2002). Financing by family business constitutes the largest share of informal investments in Mexico, India, Brazil, South Africa, Spain and Australia (Astrachan et al., 2003). Although the exact limit or criteria for delineating what should be considered a family business is still subject to debate, a number of definitions have been suggested by researchers. One definition has it that, a family business is one in which a family has control over its strategic direction and the business in turn contributes to the family’s income, wealth or identity (Astrachan et al., 2003).

Family business is the oldest form of business where funds are usually derived from personal savings and in certain situations borrowing from friends and relatives (Patel et al., 2012; Astrachan et al., 2003). It is often referred to as subsistent entrepreneurship. However, it has been found that this form of business play an important role in developing economies by forming small businesses that represent a way of life, providing employment at the base of the pyramid and contributing to the alleviation of poverty (Toledo-López et al., 2012). It has also been reported that in the USA, family businesses represent between 80% and 90% of all enterprises and contribute around 60% of GDP and total employment (Astrachan et al., 2003). It is in recognition of their vast contribution that gave impetus to the growth of research into this distinct arm of the economy.

Family businesses have similar characteristics with non-family businesses in that they are both set up to generate profits and wealth. Growth is also a major strategic decision which family businesses also share with non-family business (Patel et al., 2012).
Furthermore, family businesses have a major impact on economic growth through generation of employment, productivity and innovation (Smyrnios and Romano, 1994). Apart from the above common characteristics, family businesses are characterised by a number of other factors, which puts them strategically ahead of non-family businesses (PWC, 2013).

Family businesses need to develop survival strategies that would keep them in business under every fathomable circumstance within the external environment. Those who do not have these survival strategies have seen themselves being pressured out of reckoning by competition from local rivals or from cheaper imports of the same product. One of the current and most researched strategies employed by family businesses to counter completion and ensure survival is internationalisation. Internationalisation is the process of increasing involvement in international operations (Welch and Luostarinen, 1988). PWC (2013) has also been reported that one of the three key determinants for the internationalisation of family businesses was the owners’ level of commitment towards internationalisation (Graves and Thomas, 2008).

Many family businesses were set up for the long-haul with the expectation of being the last resort for any family member who fails to make it outside the business. They have a long-term plan to transfer the business to successive generations so that no member of the family would be without a means of livelihood (Romano et al., 2000). They are usually not under the pressures to make returns to shareholders and investors as listed companies do. Family businesses are often intertwined with the family running it, hence, the loyalty that comes with being the head of the family is carried into the business environment every working day. This loyalty also extends to areas where strategic business decisions are required; all staff look up to the steward for direction and once given, it is seldom challenged. This ability for quick decision making by family businesses is a distinct competitive advantage over non-family businesses which have to have some forms of board approval for major strategic decisions.

One of the major advantages of family businesses over non-family businesses is the issue of trust. The importance of trust and performance among top leaders of non-family businesses is well established (Carmeli et al., 2012; Olson et al., 2007), but the role of trust among leaders in family businesses is less clear (Cruz et al., 2010). Being a business dominated by family members, the affection and zeal to protect each other which was formed in the home is brought to bear in the business. Hence, there is more trust among staff and managers of family businesses than non-family business. It has been reported in a recent study that 74% of family business owners in the Middle East agree that culture and values are stronger in the family businesses than non-family businesses (PWC, 2013). The issue of trust further extends to the customers of family businesses because the firms often associate their business failures with their family name; hence, they strive to ensure their customers see them in good light all the time. Another advantage of family businesses to the economy is that they seldom sack their staff because many are family members who must be catered for while others are relatives with whom socio-emotional capital have been shared. The staff in return is always ready to sacrifice for the greater good through forfeiture of certain bonuses in times of financial squeeze or poor profitability.

In family businesses, there is significant overlap between ownership and management and often family members play both roles (Fiegener, 2010; González-Cruz and Cruz-Ros, 2016). In addition, researchers have theorised that strong family relationships may lead to feelings of altruism and significant alignment between leaders (Lubatkin et al., 2005).
Moreover, researchers have argued that performance advantages of family businesses are tied to their closely held nature where both ownership and control are often embodied in the same individual or family (Chrisman et al., 2004; González-Cruz and Cruz-Ros, 2016). This relational structure has been shown to contribute to increased levels of commitment, cooperation and flexibility as well as reduced transaction costs leading to higher performance (Carson et al., 2006; Jeffries and Reed, 2000; Poppo et al., 2008; Uhlaner et al., 2007).

2.2 Small and medium enterprises

SMEs are one of the oldest forms of businesses and constitute a larger portion of all businesses globally. Prior to globalisation, large multi-nationals competed in international markets, however that has all changed over the last decade with SMEs competing with large multi-nationals (Etemad, 2004). These companies or firms are usually sole proprietorships in nature, employing very few people ranging from immediate family members, close relatives and close friends to total strangers. In a cross-country study of 76 countries, it was found that SMEs contributed greatly in both employment and GDP although the figures varied across countries (Ayyagari et al., 2007). Although SMEs have easy start-ups, they also have a high failure rate. In many studies, the significant success factors for SMEs were: the way of doing business, resources and finance and external environment, satisfying customers’ needs, close working relationship between top management and employee, regionalisation, leadership, availability of financial and technological resources and support, intellectual capital, organisational innovation, entrepreneurial competence, entrepreneurial characteristics, human resources, motivation and market orientation (Chittithaworn et al., 2011; Ghosh et al., 2001; Ng and Kee, 2012). However, another study found that SMEs face bigger constraints in terms of financing more than any other type of firms or organisations (Beck and Demirguc-Kunt, 2006). Globalisation which has brought foreign competition to the local business environment is now driving SMEs into the internationalisation market.

According to Global Competitiveness Forum (GCF, 2015) performance of SMEs in the Kingdom of Saudi Arabia and their contribution to the country’s economic development agenda, has been lagging. For instance, contribution to non-oil GDP is below comparable international benchmarks (~35%–30% vs. average ~45% for comparable economies). While some of this variation may be due to productivity differences, it is largely driven by low employment levels in the SME sector compared to benchmarks. Also, majority of SMEs are concentrated in low-productivity sectors (e.g., over 50% of establishments in retail and trade) and a very large portion (estimated to be ~30%) operate in the informal sector. Additionally, the initiatives are being undertaken by various government and non-government entities without a holistic and integrated approach, which results in many challenges arising from this approach.

2.3 Factors affecting internationalisation for small and medium family businesses

Family businesses have often come into existence for the simple reason of providing a source of livelihood to the immediate families of their founder and to a large extent other close members of the immediate community. However, it has been observed earlier, a
number of reasons have come together to drive the new desire to internationalise family businesses. The factors that drive internationalisation have been explored in other climes outside Saudi Arabia. However, there is no available prior study that discussed the topic in Saudi Arabia.

Internationalisation theories endeavour to explain how and why the firm engages in overseas activities and, in particular, how the dynamic nature of such behaviour can be conceptualised (Morgan and Katsikeas, 1997). There is a wide range of potential paths any firm might take in internationalisation (Welch and Luostarinen, 1988). However, the drivers of internationalisation are the focus of this study and these drivers are viewed through the theoretical frameworks of these internationalisation theories namely, human capital theory, social capital theory and the firm theory.

2.3.1 Human capital and internationalisation

The human capital theory has become a core theoretical perspective used in internationalisation research to examine and explain different choices and performance differences among firms (Ferreira et al., 2011). This theory considers organisations as a collection of resources which include human capital, experience and processes; and these constitute a competitive advantage which the firm can deploy in internationalisation to gain an edge in a foreign market (Hessel and Parker, 2013). The main goal of the resource based view in internationalisation research is to explain the impacts or how firms’ resources aid or inhibit its internationalisation quest. In a recent study, the authors showed how three firm resources (entrepreneurial orientation, networking capability and adaptive production capability) of a pharmaceutical company in Iran aided the firm internationalise into 25 countries within a span of 12 years. They further found that the resources changed overtime from tangible to more intangible resources (Sadri et al., 2009). Numerous researchers have used the human capital theory to try to explain how firms use their inherent competitive advantages in their internationalisation process.

2.3.1.1 Manager’s experience

The success of such internationalisation efforts is influenced by the management teams’ international experience in doing business outside their base. This was the conclusion from a study of the relationship between US firms’ internationalisation extent and management team’s international experience (Athanassiou and Nigh, 2002). The study further found a positive link between the extent of internationalisation and appointing the team member with the most experience in a central role. Consequently, the decision maker’s global orientation and market conditions (home and export markets) are important factors (Moen, 2002). In a related study conducted in the Middle East, Rafiki et al. (2014) also found that the experience and training of a firm’s human capital add a positive influence on the firm’s performance. This further shows the importance of experience in internationalisation.

The consequence of not having management teams with foreign experiences results in what has been termed by international business researchers as the ‘liability of foreignness’ (Zaheer, 1995; Petersen and Pedersen, 2002; Barnard, 2010). This ‘liability of foreignness’ is explained as the disadvantage that internationalising firms face compared to indigenous firms with respect to operations in a foreign country (Zaheer, 1995). However, despite these challenges, researchers have outlined measures to
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overcome these liabilities. It is argued that this liability is overcome with time as the firm improves in its knowledge of the new business environment (Zaheer and Mosakowski, 1997). Another study has suggested that firms become familiar with the hoist environment at different paces and they tend not to follow the same learning paths, even though a larger number overcome this liability through learning prior to the foreign market entry (Petersen and Pedersen, 2002).

If the manager has a wide range of international experience across different regions, then the internationalisation would face less liability of foreignness since the manager could easily tap into his international networks for assistance in solving problems. This is why the background of the manager is considered an important influencing factor for internationalisation especially against the backdrop of cultural, social and religious differences that occur across regions. This is consistent with the findings of Lee and Park (2006) who found that firms with greater top management team diversity will use more international alliances, resulting in higher firm internationalisation. The same perspective has also be applied in another study in Taiwan and arriving at the same conclusions, that there is evidence on the association between top management characteristics and international growth of the firm (Jaw and Lin, 2009).

2.3.1.2 Education of the manager

Human capital has always been argued as the most important assets of any business. It has been argued that human capital is one of the major factors which have a great influence on the success of a firm (Haber and Reichel, 2007) through it’s attributes including: education, experience, knowledge and skills which are required for carrying out tasks associated with the business (Florin et al., 2003; Unger et al., 2011). It has also been argued that knowledge intensity and internationalisation knowledge accumulation influence the pace and pattern of firm internationalisation (Brennan and Garvey, 2009). Knowledge resides within the individuals in the organisation and represents the organisation’s most important resources. In a related study of ten Scottish firms with regards to organisational knowledge and learning modes, it was found that smaller firms without relevant experience or useful networks rely on recruitment, government advisors and consultants to acquire indirect experience for the purpose of internationalisation. The authors further found that recruitment is a source of market and technological knowledge, while government advisors and consultants are a source of internationalisation knowledge (Fletcher and Harris, 2011).

Without the above listed attribute, human capital becomes useless to the venture; therefore, a more befitting requirement would be experienced and well trained human capital. However, getting all the required human capital within the family lineage is always a challenge for many families. This is why it has been suggested especially with regards to the Gulf Cooperation Council (GCC) countries that, to better manage this scarcity of human capital, they should be willing to recruit outside talent, develop them and must tame the ‘restless entrepreneur’ spirit in the newer generations (Saddi et al., 2009).

Training is also considered a sub-division of education. When a manager undergoes training, it helps him add certain skills or become more efficient in those skills which they already have. It has been found recently that firms whose managers undergo business training and up having greater assets and sales revenue (Kessy and Temu, 2010). Hence, training can help managers identify areas of growth and possible expansion
internationally. In a related study, it was also found that lack of training was a major factor impeding the growth of SMEs in developing countries (Taiwo et al., 2012). Most trainings are formal in nature, hence are often seen as part of business education. However, trainings differ from education slightly on account of duration and being specific to certain specialised skills acquisition.

2.3.2 Social capital and internationalisation

Social capital theory was founded on the premise that a network provides value to its members by allowing them access to the social resources that are embedded within the network (Seibert et al., 2001). Social capital confers some forms of advantage to a firm by providing it through its social interactions information, interpretation, market opportunities and some degrees of protection against the risks associated with foreignness, newness and smallness (Rodrigues and Child, 2012). Inter-firm collaborations help firms overcome the liability of foreignness when they enter into a new market outside their traditional border (Prime et al., 2009).

It was found that a degree of home region social capital will increase both the internationalisation of goods as well as the internationalisation of knowledge, but that beyond a certain level of social capital, firms will become over-embedded in the region and the degree of internationalisation will decrease from that point (Masciarelli et al., 2009). They claim that social capital is paramount to entrepreneurial social infrastructure.

2.3.2.1 Network relationships

Internationalisation happens as a by-product of social acting or social learning (Kauppinen and Juho, 2012). The network theory of internationalisation seeks to explain the effect of having to an active network within a firm’s industry. Social ties play an important role in facilitating firms’ internationalisation (Harris and Wheeler, 2005). Researchers have pointed out that firm internationalisation is often easier when the firm is a member of an active network consisting of many other similar firms in the target location. This is because the firm would derive a lot of critical knowledge about the new market through interactions with members of the network thereby reducing huge transaction costs associated with getting this knowledge through independent sources or consultants. It has been found for example that born global firms are embedded in international networks and such well-functioning cross-border relations are an important element for their success (Eurofound, 2012).

Networking has always been hailed as an important activity when it comes to internationalisation of businesses. This is because, faced with the liability of foreignness, the internationalising family businesses would require certain networks which would help it reduce these liabilities. Hence, having a network partner in the internationalising location goes a long way in making the process less cumbersome. For example one study found that firms that are affiliated with a business group, have more firm-and group-level international experience, more technological and marketing resources; and generally perform better (Gaur et al., 2014).

The importance of information about the target market cannot be underestimated as a very important contributing factor that influences the internationalisation of family businesses. As Ghemawat (2001) has pointed out, there are usually hidden tacit differences in business culture between two countries who share a common border or
language and these are only revealed once a business finally starts operations in the target location. He went further to caution intending international entrepreneurs not to focus only on geographical distance, arguing that the notion of a seamless match as propounded by globalisation does not exist in reality. Therefore, managers must consider cultural factors (religion, race, social norms, language), administrative factors (colony-coloniser links, currencies, trading arrangements) and economic factors (income, distribution-channel quality). The more two countries differ across these dimensions, the riskier the target foreign market (Ghemawat, 2001).

Another important issue that may result from networking is knowledge about the market and availability of the required skills. This knowledge would help determine resource allocation strategies in the long and short run. It has also been argued that family businesses should endeavour to recruit outside talent and develop them, appoint a change agent who shares the family’s interests, engage in portfolio re-evaluation to discard non-performing businesses irrespective of emotional attachments and most importantly, tame the ‘restless entrepreneur’ spirit in the newer generations (Saddi et al., 2009). Finally, in order to succeed on international markets, it is needed to build up a network of awareness and information exchange between major actors such as SMEs, public and business support institutions, academia, other family businesses and other players (Brazinskas and Beinoravičius, 2014). In conclusion, networking of social capital has been generally accepted as a good way to enhance internationalisation and reduce most of the risks associated with new venture internationalisation.

2.3.3 Firm characteristics and internationalisation

2.3.3.1 The size of the firm

Research has found however that the size of the firm is a very important factor in the quest for internationalisation (Bloodgood et al., 1996). This was also the conclusion from a recent study on the impact of firm size on performance of small firms; the authors found a positive relationship between size and performance (Rafiki and Abdul-Wahab, 2013). The larger the size, the higher likelihood there is of having established laws and regulatory safeguards in the announcements of internationalisation strategy (Morresi and Pezzi, 2011). It is related to the influence of the country risks and its degree of property rights protection. Furthermore, another study found that small and large firms intending to internationalise need to adopt different strategies; it also found that the growth rate of small international firms decreases more rapidly than small domestic firms while the growth rate of large international firms decreases slowly than large domestic firms (Park and Jang, 2010). Generally, larger firms are more able to internationalise easily due to their higher human and financial resources coupled with their higher ability to secure loans and support from their home governments.

2.3.3.2 Age of the firm

Business owners to a large extent determine the direction they want their business to go, hence, they exert a lot of influence on the decision making process in firms. This situation is even more prominent in family businesses where influence follows through the family hierarchy. The decision to internationalise has often been thought to be associated with the age of the firm in response to competition (Sapienza et al., 2006).
Born global firms are firms that engage in significant international activity a short time after being established (Moen, 2002). It was argued that young firms do not possess established organisational processes, routines and organisational knowledge-base required for successful internationalisation thereby making them vulnerable to failure in the event of internationalisation (Carr et al., 2010). Other reasons being cited for the failure of internationalising young firms is inadequate resources and capabilities over which the older firms have competitive advantage (Sapienza et al., 2006). In a related study, it was found that for internationalised firms to be successful and to survive, they have to be high-tech, large and innovative (Giovannetti et al., 2011). However, the failure among younger firms has been attributed to deficiencies in knowledge, while failures in older firms were attributed to their inability to adapt to environmental change (Thornhill and Amit, 2003). It has also been found that old and small firms are likely to fail while young and small firms have the highest growth rates (Barron et al., 1994). This was consistent with the findings from another study which held that younger firms experienced significantly higher rates of short-term growth than older firms (Carr et al., 2010). This result was again replicated in another study by Rafiki and Abdul-Wahab (2013) who found that age positively influences the performance of small firms.

Furthermore, consistent with the views expressed about the born globals, a recent study found that the earlier technology firms ventured into foreign markets, the higher the foreign-venture performance of the firm (Schwens and Kabst, 2011). Explaining how this high performance is achieved by young firms despite their age, it was found that young firms compensate for their lack of firm-level international experience by utilising other sources of knowledge; these sources include the management team international experience and inter-organisational learning from partners (Bruneel et al., 2010). While the age of the firm has significant influence on its internationalisation, the commitments of the founder and his international perspective tends to exert a greater influence on internationalisation decisions (Moen, 2002; Weerawardena et al., 2007).

2.4 Hypothesis development

The hypothesis is developed based on the literature review as follows:

H1 Experience of manager positively influences family business internationalisation.

H2 Education of manager positively influences family business internationalisation.

H3 Training of manager positively influences family business internationalisation.

H4 Networks positively influence family business internationalisation.

H5 Size of the firm positively influence family business internationalisation.

H6 Firm’s age positively influences family business internationalisation.

3 Methodology and data analysis

A quantitative method with a survey comprising about nine questions was designed to obtain information regarding the factors influencing internationalisation of small and medium family businesses by managers of family businesses in the Kingdom of Saudi Arabia. The online questionnaire was chosen because of its advantage of speed and
ability to reach remote locations more easily. The data were analysed by descriptive and statistical test analysis. The model was generated by multivariate regression technique. While descriptive analysis was used to analyse the owners/entrepreneurs and their firm’s background profiles. The sampling technique adopted would be ‘stratified’. This is consistent with the practice also adopted by a recent study in internationalisation conducted in France where the authors also conducted a questionnaire survey of top managers only (Picot-Coupey et al., 2014).

3.1 Respondent’s profiles

The response was commendable as about 119 respondents completed the questionnaires sent out. According to Stevens (1996), researchers should try to get about 15 subjects per predictor or independent variable in order to have a reliable equation in a regression analysis. Elsewhere, it is recommended that the formula, \( N > 50 + 8 \times m \) should be used to determine the ideal sample size for a good regression; in this case, the letter ‘m’ represents the number of independent variables or predictors (Tabachnick and Fidell, 2007). In this study, there are six predictor variables intended to be assessed. Therefore, whichever of the above routes to determining the ideal sample size that is adopted, it has been complied with by the number of respondents achieved in the survey.

Table 1 Description of respondent – crosstab of business age and industry

<table>
<thead>
<tr>
<th>Age of business</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Retail</th>
<th>Agriculture</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–5 years</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>6–10 years</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>11–15 years</td>
<td>3</td>
<td>11</td>
<td>3</td>
<td>0</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>16–20 years</td>
<td>17</td>
<td>18</td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>45</td>
</tr>
<tr>
<td>Above 20 years</td>
<td>16</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>44</td>
<td>13</td>
<td>5</td>
<td>20</td>
<td>119</td>
</tr>
</tbody>
</table>

As depicted in Table 1, a descriptive analysis of the respondents’ profiles indicates that 37 manufacturing companies’ managers took part in the survey. Managers from the services sector constitute about 36.98% of the respondents with 44 managers taking part in the survey. Managers from the retail, agricultural and ‘other’ sectors were 13, 5 and 20 respectively. From the result, it can be seen that a broad range of industry managers took part in the survey. Having such a broad industry involvement in the study will give the results of the study more generalisability potential. Moreover, 84.87% of all the companies are older than ten years. This percentage indicates that the respondents have had enough industry experience to give credible opinions on the subject matter of the study. Generally, there were six companies under six years in business, 12 companies under 11 years and 25 companies under 16. There were 45 companies with about 20 years in business and 31 companies with over 20 years in business.

As depicted in Table 2, a further crosstab of academic qualifications and number of employees was conducted to get an insight into the level of education of the respondents and the size of employees they manage. There were 19 managers with a PhD degree,
54 with a Masters/MBA degree and 37 respondents with a BSc degree. From the above data, it shows that about 92% of the managers surveyed have a minimum of a university degree. This will increase the credibility of the responses received in the course of the survey. About eight of the managers that responded to the survey have a diploma or certificate while only one of the managers had ‘other’ forms of qualifications.

**Table 2** Description of respondent – crosstab of academic qualification/number of employees

<table>
<thead>
<tr>
<th>Number of employees (staff)</th>
<th>1–25</th>
<th>26–50</th>
<th>51–75</th>
<th>76–100</th>
<th>Above 100</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic qualification</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PhD</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Master/MBA</td>
<td>0</td>
<td>7</td>
<td>13</td>
<td>15</td>
<td>19</td>
<td>54</td>
</tr>
<tr>
<td>BSc</td>
<td>0</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>5</td>
<td>37</td>
</tr>
<tr>
<td>Diploma/certificate</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2</td>
<td>20</td>
<td>31</td>
<td>35</td>
<td>31</td>
<td>119</td>
</tr>
</tbody>
</table>

The respondents were also requested to indicate how many employees they had in their firms. From their responses, 31 managers controlled firms with over 100 staff, 35 managers controlled firms with between 76–100 staff, 31 managed firms with between 51–75 staff, another 20 managed firms with between 26–50 staff, while only two managers controlled firms with under 25 staff. The above results indicate that most of the managers are in charge of a good number of staff.

**Table 3** Number of years managing business

<table>
<thead>
<tr>
<th>Number of years managing business</th>
<th>1–5 years</th>
<th>6–10 years</th>
<th>11–15 years</th>
<th>16–20 years</th>
<th>Above 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>23</td>
<td>29</td>
<td>40</td>
<td>19</td>
</tr>
</tbody>
</table>

As depicted in Table 3, the managers were also asked for the number of years they have been managing businesses. 93% of the managers have been managing businesses for over five years cumulatively. Only about 7% of the managers were within the 1–5 years range of experience in managing businesses.

### 3.2 The study variables

The variables are measured according to the theoretical framework of the study. The variables measured include the following:

- **Independent variables**
  1. The age of business variable is measured in years. An interval variable was adopted in the measurement (1 = 1–5 years, 2 = 6–10 years, 3 = 11–15 years, 4 = 16–20 years, 5 = above 20 years).
  2. Size of firm was measured by the number of employees. This was also done using an interval variable (1 = 1–25 staff, 2 = 26–50 staff, 3 = 51–75 staff, 4 = 76–100 staff, 5 = above 100 staff).
Experience was measured using the years manager spent in business. This was also an interval variable (1 = 18–25 years, 2 = 26–50 years, 3 = 51–75 years, 4 = 76–100 years, 5 = above 100 years).

Education was measured using the academic qualification of the manager. (1 = PhD, 2 = MSc/MBA, 3 = BSc, 4 = Diploma/Certificate, 5 = Other).

Network was measured using the managers’ membership of any business organisation. A dummy variable was used (1 = Yes, 2 = No).

Trainings was also measured using a dummy variable (1 = Yes, 2 = No)

Dependent variable

Involvement in internationalisation was the dependent variable and was measured using a dummy variable (1 = Yes, 2 = No).

3.3 Multiple regression analysis

As can be seen from Table 5, the adjusted R2 = .431 indicates that the variables in the model explain 43.1% of the variations of the dependent variable. The results also indicate that not all the predictive variables are positively associated with firm internationalisation as can be seen from their significance tests. The internationalisation model can be written as follows:

\[ Y = .231 + (\frac{-0.026}{X1}) + 0.094X2 + (\frac{-0.205}{X3}) + 0.001X4 + 0.469X5 + 0.573X6 + \epsilon \]

Table 4  Multiple regression results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised coefficients</th>
<th>Standardised coefficients</th>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.231</td>
<td>.283</td>
<td>.816</td>
</tr>
<tr>
<td>Age of firm (X1)</td>
<td>-0.026</td>
<td>.033</td>
<td>-0.062</td>
</tr>
<tr>
<td>Size of firm (X2)</td>
<td>-0.094</td>
<td>.035</td>
<td>0.220</td>
</tr>
<tr>
<td>Experience (X3)</td>
<td>-0.205</td>
<td>.093</td>
<td>-0.166</td>
</tr>
<tr>
<td>Education (X4)</td>
<td>.001</td>
<td>.040</td>
<td>0.002</td>
</tr>
<tr>
<td>Networking (X5)</td>
<td>.469</td>
<td>.069</td>
<td>0.496</td>
</tr>
<tr>
<td>Training (X6)</td>
<td>.573</td>
<td>.125</td>
<td>0.339</td>
</tr>
</tbody>
</table>

The results of the study as shown in Table 4, support hypothesis H1, H3, H4 and H5; while the result did not support H2 and H6.

The Durbin-Watson test statistics was 1.906 as shown on Table 5, this indicates that although some of the hypothesis were not supported, there was a generally positive correlation since the value was smaller than two (Field, 2009). This shows that the errors in the model are uncorrelated and independent. Furthermore, with regards to multicollinearity among the independent variables, SPSS often picks out problems which may not be evident from the correlation matrix. According to Pallant (2007), tolerance is an indicator of how much of the variability of the specified independent variable is not
explained by the other independent variables in the model and is calculated using the formula 1-R-squared for each variable. The variance inflation factor (VIF) on the other hand is just the inverse of the tolerance value. However, an ideal result should see the tolerance value not going below 0.10 and the VIF value not exceeding ten. If the values of the two statistics violate the above values then it indicates a problem of multicollinearity (Pallant, 2007). Table 4 shows that all the values from this study are well within those defined above indicating the absence of multicollinearity problems.

Table 5  Model summary table

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. error of the estimate</th>
<th>R square change</th>
<th>Change statistics</th>
<th>Sig. F change</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.678</td>
<td>.459</td>
<td>.431</td>
<td>.357</td>
<td>.459</td>
<td>15.869</td>
<td>6</td>
<td>112</td>
</tr>
</tbody>
</table>

4 Discussions

Below is a summary of the study outcome with regards to the tested hypothesis in comparison with past studies:

H1 Experience positively influences family business internationalisation.

The results of this study are consistent with the findings of Reuber and Fischer (1997), Athanassiou and Nigh (2002), Rafiki and Abdul-Wahab (2013) and Rafiki et al. (2014) affirm the positive relationship between managers’ experience and internationalisation.

H2 Education positively influences family business internationalisation.

The study also found that there was no positive relationship between managers’ education and internationalisation within the context of the sample surveyed, contrary to the findings of Carpenter and Fredrickson (2001).

H3 Training positively influences family business internationalisation.

The results of this study have also affirmed the findings of Carpenter and Fredrickson (2001), Rafiki and Abdul-Wahab (2013) and Rafiki et al. (2014) of the positive relationship between training and internationalisation.

H4 Network positively influences family business internationalisation.

The results of study have further re-affirmed the findings of Zahra (2003) and Rafiki and Abdul-Wahab (2013) of the positive relationship between belonging to a business network and internationalisation.

H5 Size of firm positively influences family business internationalisation

The results of study have further re-affirmed the findings of Bloodgood et al. (1996) and Rafiki and Abdul-Wahab (2013) regarding the positive relationship between size of firm and internationalisation.
H6 Firm age positively influences family business internationalisation.

The study found that there was no positive relationship between firm age and internationalisation within the context of the sample surveyed, contrary to the findings of George et al. (2005), Bell et al. (2004) and Rafiki and Abdul-Wahab (2013).

The family businesses in Saudi Arabia wishing to internationalise their operations should ensure their managers belong to a business network to tap into the group’s network and undergo training in internationalisation. To have a higher chance of success in internationalisation, an experienced manager must be appointed to head the internationalising firm. Finally, managers of the firms should remember that the size of the firm also impacts on successful internationalisation, although determining the optimal size for successful internationalisation was outside the scope of this study.

This study could be considered as a pioneer study of internationalisation within the context of Saudi Arabia. However, due to the limited number of respondents and the few variables used, it would be interesting to see the usage of more variables would have different results. Furthermore, it would be interesting to see the effect of having more respondents higher than the current 119 used for this study. Most importantly, a follow-up study using the same variables as the current study would go a long way in affirming or disproving the correct predictors of internationalisation within the context of the Kingdom.

5 Conclusions

In affirmation of the results of past studies from other regions, this current study found consistency with current knowledge in the area of firm internationalisation where firm size, membership of business network, training and experience were all positively related to internationalisation. However, contrary to earlier findings in other studies, this study did not find a positive relationship between firm age, experience, education of managers and involvement in internationalisation. It should be noted however that these findings are within the context of the kingdom of Saudi Arabia, a region that has had little history of internationalisation. Rather, they have been a huge recipient of foreign companies internationalising into their region. This is where the importance of this study comes in, which is to close a gap where business managers in the kingdom have not thought of exploring into in response to the huge competition that foreign firms are bringing in the name of globalisation to the region. The results have further confirmed the often repeated notion of ‘moderating for the impact of local conditions’ on research findings. These results could be regarded as a reflection of internationalisation in Saudi Arabia.

5.1 Limitations

This study is limited to factors influencing small and medium family businesses internationalisation in Saudi Arabia. As with any survey-based study, the problem of getting representative samples of respondents was an issue. Especially given the almost
alien nature of survey questionnaires in the Arab world. In order to overcome this, personal networks of family businesses managers was used to reach as many qualified respondents as possible across all the major regions of Saudi Arabia. Friends and close business associates resident in other regions, were relied upon to assist in identifying and reaching out to possible respondents for the study.

Another challenge which is also unique to survey based studies was the issue of number of respondents. This was a particularly important point given the fact that regression analysis required a certain minimum number of respondents which is determined by the number of variables being tested. To overcome this challenge, the survey had to be conducted over an extended period of time and reminders were sent at regular intervals to respondents who had not returned their questionnaires.

References


Factors affecting small and medium family businesses’ internationalisation


Factors affecting small and medium family businesses’ internationalisation


