# FAMILY BUSINESS STRATEGIC ORIENTATIONS, STRUCTURE, AND PERFORMANCE: MODERATING EFFECTS OF FAMILY INFLUENCE AND ENVIRONMENT IN PALESTINE

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**DEGREE OF DOCTOR OF PHILOSOPHY**
**UNIVERSITI UTARA MALAYSIA**
**February 2016**

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Thesis Submitted to
School of Business Management
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy

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ABSTRACT

Family businesses (FB) play a significant role in solidification the world economy in developed and developing countries. The FB performance depends on various factors. Among those factors strategic orientation (SO), organization structure (OS), family influence (FI), and the effect of external environment (EE).The main aim of this study is to examine the effects of SO, OS moderated by FI, and EE on family firm performance. Via the random stratified sampling technique, Palestine family business owners have completed a 315 as a sample of quantitative data using the questionnaire. The data were statistically using PLS-SEM to test the structural model. Findings suggest the direct effects of strategic orientation and organizational structure on family firm performance is widely supported. Data shows positive significant relationships between defenders, prospectors and reactors' strategic orientations relationship with family firm performance. Furthermore, there is a positive relationship between centralized organizational structure and family firm performance. The sample shows that defenders, prospectors, analyzers, and reactors' strategic orientations are broadly used. In addition, family influence moderates these relationships effectively. The high level of family influence indicated a stronger negative relationship between defenders' and analyzers' strategic orientations and family firm performance, as opposed to when there is a low-level of family influence. Family influence also moderates the centralized organizational decision-making. As well as in older medium firms, the centralized decision-making is concentrated in the first and second generations since in newer and large firms, decision-making is more concentrated in the third and fourth generations. The results also indicate that external environment is negative moderates the relationships between defenders and prospectors' strategic orientations, and family firm performance. Besides, a weaker positive relationship between family influence and prospectors' strategic orientations, and family firm performance, as well as a weak positive relationship between the moderated effect of external environment and reactors' strategic orientations, and family firm performance. The theoretical, methodological and practical implications of the study are widely discussed. Moreover, future research are closely considered.

**Keywords**: Strategic Orientation, Family Firm Performance, Family Influence, External Environment.

# ABSTRAK

Berpandukan Teori Berasaskan Sumber dan Teori Luar Jangkaan, kajian ini meneliti kesan orientasi strategik, kesan struktur organisasi yang disederhanakan oleh pengaruh keluarga, dan kesan persekitaran luar terhadap prestasi syarikat milik keluarga. Sejumlah 315 pemilik syarikat milik keluarga di Palestin telah mengambil bahagian dalam kajian ini. Hasil kajian menyokong hipotesis kesan langsung orientasi strategik dan struktur organisasi terhadap prestasi syarikat milik keluarga. Terdapat hubungan positif dan signifikan antara orientasi strategik defender, prospector dan reactor terhadap prestasi syarikat milik keluarga. Selain itu, terdapat hubungan positif antara struktur organisasi berpusat dan prestasi syarikat milik keluarga. Sampel menunjukkan bahawa orientasi strategik defender, prospector, analyzer, dan reactor telah masing-masing diaplikasikan di Palestin. Tambahan pula, pengaruh keluarga memberi kesan penyederhana terhadap kesemua hubungan ini secara efektif. Apabila terdapat pengaruh besar dalam sesebuah keluarga, wujud hubungan negatif yang kuat antara orientasi strategik defender dan prestasi syarikat milik keluarga, berbanding dengan kewujudan pengaruh yang sedikit. Keputusan serupa turut didapati mengenai kesan penyederhana pengaruh keluarga terhadap orientasi strategik analyzer dan reactor. Pengaruh keluarga juga memberikan kesan penyederhana terhadap penilaian keputusan organisasi berpusat dalam menentukan keputusan kewangan, strategik dan operasi. Dalam syarikat lebih lama, kecil dan sederhana, penilaian keputusan berpusat bertumpu pada generasi pertama dan kedua, manakala dalam syarikat baharu dan besar, penilaian keputusan lebih bertumpu pada generasi ketiga dan keempat. Keputusan kajian juga menunjukkan bahawa persekitaran luar memberikan kesan penyederhana yang negatif terhadap hubungan antara orientasi strategik defender dan prospector dengan prestasi syarikat milik keluarga. Selain itu, dapatan kajian menunjukkan hubungan positif yang lemah antara pengaruh keluarga sebagai pemberi kesan penyederhana terhadap orientasi strategik prospector, dan prestasi syarikat milik keluarga, selain hubungan positif yang lemah antara kesan penyederhana persekitaran luar dan orientasi strategik reactor, dan prestasi syarikat milik keluarga. Implikasi teori, metodologi dan praktikal kajian turut dibincangkan.

**Kata kunci**: Orientasi strategik, Prestasi syarikat milik keluarga, Pengaruh keluarga, Persekitaran luar

# ACKNOWLEDGEMENT

This thesis is the result of my PhD studies at the governmental organization the University Utara Malaysia, College of Business focusing on strategic management between 2013 and 2016. It focuses on understanding the role that family influence and external environment play in firm strategic orientation, organization structure and family firm performance. Yet such a mission could not take place without the kindness of Allah (SWT), may his peace and blessing be upon our prophet MUHAMMAD (SAW) and without the generosity of his household and companions many gentleness people who give days of their time to listen, to hearten of, and to develop upon the works of others. First, I want to thank Prof. Dr. Mohd Noor Mohd Sharrif for his supervision all the way through my time at the School of Business. He gave me a well-needed boost to complete this work as well as valuable encouragement and guidance in my academic career.

In addition, I would like to express my deep gratefulness to Dr. Darwina Ahmad Arshad, and Dr. Azhari Ramli at the college of business University Utara Malaysia, for the insightful discussions. Further, my appreciation goes to Prof. Dr. Mahmoud Al-Jaffei at Al-Quds University in Palestine who advised me with vital guidance, and encouragement and to Miss Dalia Husein and her colleges from Bethlehem Chamber of Commerce and Industry for her help in data collection and encouragement.

This work has benefited greatly from their valuable and helpful comments, and I thank them all for providing me with opportunities to research and learn at the UUM.

Special thanks go to all my colleagues and friends at University Utara Malaysia, Palestine Ahleya University, and ICP Bethlehem University who always made me feel at home, contributing in many different ways to making my experience rich and rewarding.

In particular, I wish to express my gratitude to my family and to soul mate best wife Fayza for her ongoing support, encouragement, personal advice and love throughout the recent years. Without her unconditional support as well as her blind confidence in me, I would never have achieved what I have done so far.

I also want to thank several other colleagues and friends, to the minister Sultan Abo Al-Einin, Naser Altaher, Mahmoud Al-Tamimi, Jawaher Mubarak, and Dima Zhiman for their precious and friendly assistance and hospitality!

It was a pleasure to exchange ideas with Dr. Mohammed Siam PhD from the UUM, Dr. Ahmad Gomail PhD from Nigeria and Dr. Fayez Abou Amreia form Palestine Ahleya University. To all these people I am highly grateful; you have made the completion of this project possible and the journey memorable.

Last but, not least, I am especially indebted to my parents for their constant encouragement and total support throughout my academic education and all my life.

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| | |
|---|---|
| AVE | Average variance extracted |
| β | Causal path or standardized path coefficient (Beta) |
| CEO | Chief executive officer |
| ρc | Composite reliability |
| df | Degrees of freedom |
| e.g. | Latin for *exempli gratia*, "for example" |
| EBIT | Earnings before interest and tax |
| et al. | Latin for *et alii*, "and others" |
| etc. | Latin for *et cetera*, "and other things" |
| *f2* | Effective size statistics |
| EE | External environment |
| FF | Family firms |
| FFP | Family firm performance |
| F-Culture | Family culture |
| F-Experience | Family experience |
| FI | Family influence |
| F-PEC | Family power, experience, and culture |
| F-Power | Family power |
| GDP | Gross domestic product |
| GOF | Goodness of fit |
| H | Hypothesis |
| i.e. | Latin for *id est*, "that is" |
| IFERA | International Family Enterprise Research Academy |
| JBV | Journal of Business Venturing |
| JFBS | Journal of Family Business Strategy |
| JSBM | Journal of Small Business Management |

| | |
|---|---|
| N | Number of cases |
| N.A. | Not available |
| n.s | Not significant |
| OYAGSB | Othman Yeop Abdullah Graduate School of Business |
| p. | Page |
| PNA | Palestinian National Authority |
| PCBS | Palestinian central bureau of statistics. |
| pp. | Pages |
| $R^2$ or $r^2$ | Coefficient of determination |
| RBV | Resource-based theory |
| ROA | Return on assets |
| ROE | Return on equity |
| S&P 500 | Standard & Poor's 500 |
| SD | Standard deviation |
| SEM | Structural equation modeling |
| Sign. | Significance level |
| TQM | Total quality management |
| UNCTAD | United Nations Conference on Trade and Development. |
| US | United States of America |
| VIF | Variance inflation factor |
| vs. | Latin for *versus*, "against" |
| WB | World Bank |
| Q2 | Stone-Geisser Predictive relevance and average of model to estimate PLS path model evolution |
| q2 | Change in predictive relevance when blindfolding tests are turn |

# CHAPTER ONE
# INTRODUCTION

## 1.1 Background of the Study

Family business performance as a research subject is widely debated by considerable efforts to investigate the influence of family on the family firm strategic orientation in different environments (Essen, Carney, Gedajlovic & Heugens, 2015). The family business introduced as unique and heterogeneous firms in terms of ownership, behavior, environment, family, business objectives and performance (Howorth et al., 2010; Basco, 2013). However, these firms face significant challenges in performance levels and achieving goals.

Family business was defined as multiple members of the same family, which involves in the business as major owners or managers over time (Miller, Breton-Miller, Lester & Cannella Jr, 2007). In fact, family business firms (FBFs) are ancient and the most predominant form of business enterprises in worldwide. For example, "Houshi Onsen" family business in Japan was extended to 46 generations (Sommer, 2012), where it continued to be the cornerstone of the international world economy (Miller et al., 2007).

In general, the FBF performance relates to the firm's financial and non-financial progress. For example, it was comprehensively proposed by Murphy, Trailer and Hill (1996) as the firm's efficiency in assets, equity, sales, profit, firm size, liquidity, and the firm's success in achieving the firm's objectives, competitiveness, the firm's market share and the firm's leverage. They added, what makes the firm more profit (Lee, 2006).

Furthermore, profit was also measured using either the main competitors and its objectives, or the actual performance versus planned projections (Nandakumar, Ghobadian & O'Regan, 2010). Dyer (2006) also discussed how strategic orientations could improve the business values. It shows a significant development in family firms compared to non-family firms (Zellweger & Sieger, 2012). It also illustrates the special relationship with strategic orientations in the future (Altindag & Zehir, 2012). Performance was proposed as an integral part in management as an accounting system, in which managers can use its information and other intangible assets strategically to assist the operations of the firm (Kaplan & Norton, 2001). Previous studies indicated that family firm performance can be improved when the contingency key variables of strategy, environment, structure, and family influence aligns correctly (Naman & Slevin, 1993). Massis, Chua and Chrisman (2008) stated that strategic management, strategies, organizational structures, and environments are immediate factors for firm performance.

Globally, it was found that FBF contributed 70-95 % of all business entities; 70-90 % of global GDP annually, 50-80 % of jobs, and 85 % of start-up companies, where all were established with family money (FFI, 2014). Case in point, the developed economy indicators showed that the United States of America has more than 17 million family firms, which created 80 to 90 % of works. They generate 85 % of this 50 % GDP and 60 % of the work force (Poza, 2013). The similar situation was described over the Europe (Barca & Becht, 2001). The FBF has made 85 % of the EUR business; including 75 % of UK; 80 % of Spain; and more than 90 % of Sweden. For example, Wallenberg family controlled 43 % of the Swedish economy (SVANCAR, 2001), 99 % of those in Italy (Upton & Petty, 2000), most of the business in Germany (Klein, 2000), and 50 % of business in France (INSEAD, 2013), and created 30 % of GDP and employed 33 % of the population in the Britain (IFC, 2011).

A few countries such as Canada and Australia also have business groups controlled by wealthy old families (Claessens, Djankov & Lang, 2000). In Australia, it equals to 70 % of total business (FBA, 2010). In developing countries, FBFs constitute most of the large enterprises in Korea (Astrachan & Shanker, 2003; Kim & Ondracek, 2011), and other large business in the world. For example, the Noboa Ecuadorian family provides income for more than 25 % of Ecuador's 11 million population; 40 % of Ecuador's exports; and 5 % of the country's GDP (Fiorillo, 2003). FBFs are also the business and work force in Southeastern countries of Indonesia, Malaysia, Philippines, and Thailand (Carney & Gedajlovic, 2002), where it is similar to the focus corporate control in the hands of main families in Malaysia (Wee & Ibrahim, 2012).

In the Middle East and North Africa countries, most of the region's GDP besides the oil sector and over 80 % of its business are either family-run or family controlled (AMCML, 2011). This equals to 70 % of business in Egypt (Alahram, 2014; AMCML, 2011) and around 50 % of business in South Africa (Adendorff &

Boshoff, 2011). Palestine was not exempted as a place of study for this research. FBF employed more than 85 % of work force. PCBS (2013) showed that FBFs represent more than 90 % of 120 thousand business firms and contributed more than 55 % of GDP. That was 6.80 billion US dollar in 2012, where 5.9 % was distributed for agriculture; 13.1 % for mining, manufacturing, electricity and water; 15.4 % for wholesale and retail trade, repair of motor vehicles and motorcycles, and 38.9 % for service sector of GDP (PCBS, 2012; 2013).

Unfortunately, despite these facts, FBFs performance faced significant challenges and confusion, where studies and statistics indicated that only little from the international FBFs can survive the second and third generations. To illustrate the point, about 73 % of family firms in Palestine and the Middle East countries can survive to the second generation, but will decline to less than 20 % in the third generation (AMCML, 2011; PWC, 2014). In the U.S., 30 % of all family firms survived the second generation, 12 % continued to survive to the third generation and only 3 % continued to survive for the fourth generation, where the FBFs average age is 78 years (CBIA, 2008). Poza (2013) showed that 67 % of FBFs do not survive beyond the founding generation and 12 % continued for the third generation. Poza also confirmed that a few of any business type enjoys long and successful life today to pursue this point depending on S&P 500 indicators where it showed that the business age is decrease from 65 years in 1920s to 10 years in 1998, and is expected to be 10 years in the future.

Sharma, Chrisman and Chua (2003) voiced that FBF performance considered family as being a critical variable in the firm success. It is widely accepted that firm performance can create economic development, institutional stability, and consistency. It is a critical point in economic growth in a modern economic system (LiPuma, Newbert & Doh, 2013). Furthermore, the accumulated awful performance has terrible effects on personal wealth of the family (Amit, Villalonga, Melin, Nordqvist & Sharma, 2014). Other studies asserted that strategic orientation improves the business performance (Altindag & Zehir, 2012). The relationship between family influence, strategies and firm performance are important to family firm's future (Zellweger & Sieger, 2012).

Some scholars highlighted that according to strategic management research, strategies, organizational structures, and environments are immediate factors for firm performance (De Massis et al., 2008). Sharma confirmed that FBFs are considered as heterogeneous due to the family influence, which effects the strategic business performance (Sharma, 2004). Theories illustrated the perceptions of shortages in strategic management. For example, Miller (2002) confirmed that organizations failed to implement more than 70 % of their new strategic initiatives. However, the Resource-Based View theory of strategic management emphasized that the firm resources and capabilities can achieve the firms' competitive advantages (Barney, 1991). Some of the theorists after the last world financial crises highlighted that the family business problem of performance related ignored the contingent situation in organizational design (Ling & Kellermanns, 2010). Moreover, correct alignment of contingent variables and firm characteristics could develop the family firm performance (Naman & Slevin, 1993). The contingency theory hypothesized that the alignment between key variables of industry conditions, external environment, firm structure, and organizational operations are important to reach optimal performance, where different industrial environments need different organizational structures (Lawrence & Lorsch, 1967). In addition, the firm's relationship between two variables depends more on the effect of the third uncontrolled variable relationship (Ginsberg & Venkatraman, 1985). Accordingly, different theories had different findings, disparity of family business performance of results (Rutherford, Kuratko & Holt, 2008; Sciascia & Mazzola, 2008).

Empirical studies and academic society were involved in discussing the ratings of FBF performance (Ramanujam & Venkatraman, 1987). Astrachan (2010) proposed it as a result from the overlapping of family and firm's benefits and goals. The results are still inconclusive, where some of them show superior performance (Sraer & Thesmar, 2007), unequality and poor (Rutherford et al., 2008), and non-family business do better than family business (Rutherford et al., 2008). More results found empirically that the family firms are doing well and generate wealth in different stable and unstable environments (Kachaner, Stalk & Bloch, 2012). The criticism of researchers and studies have continued and are divided into two main streams. The first stream compares family firm and non-family firm performance. It showed that FBFs outperforms non-family business in terms of financial and non-financial measures (Altindag & Zehir, 2012; Lee, 2006). For example, FBFs outperform non-family firms in six indexes in Europe (IFC, 2011).

Studies in the United States (Lee, 2006) showed that FBFs performance is more efficient and profitable as compared to other business. The findings of Martínez, Stöhr and Quiroga (2007) on 100 family firms in Chile showed that return on assets and profit of FBFs increase versus non-family firms. In addition, a study in Japan found that family firms are higher in return on assets and invested capital and profit as compared to non-family firms (Allouche, Amann, Jaussaud & Kurashina, 2008). Anderson and Reeb (2003) showed that FBFs outperform the non-family organizations in the first fifty years of the life cycle. Other studies showed the opposite, which non-family firms are the best (Westhead & Howorth, 2006). In this aspect, FBFs performance in Europe (Altindag & Zehir, 2012; Ehrhardt, Nowak & Weber, 2006) showed a mixed result, where family firms achieved superior business performance, in which a significant number of studies showed equal and inferior family firm performance levels as compared to non-family firms (Zellweger & Astrachan, 2008). The second stream of the studies examined how the characteristics of the family business affect firm performance. Like strategic management, organizational structure and family role, the indirect effect of external environment context effects were neglected (Welter, Ramachandran, Discua Cruz, Fang & Basco, 2016). The scholars' arguments of the family business as a heterogeneous context have opened a new wave in research.

This suggests that the performance is different between environments from a firm to firm, from place to place and from industry to another depending on the degree of effect. Therefore, the direct and indirect effects of relationship must be considered and focus on the moderating role of family and environment influence (Bauman, Sallis, Dzewaltowski & Owen, 2002) on family firm performance. This point of view depends on the availability of FBF for numerous generations, extending from a small society long prior commerce start to a greater degree over the extended period of time (Aronoff & Ward, 1995), where it does in a superior way in turbulent environments (Bloch, Kachaner & Stalk, 2012).

The family unity joints and makes the power to strengthen the new and sustained enterprise behavior (Cohen & Winn, 2007). Family sustains their lives by own-sufficient instruments (Ponzetti, 2003). In general, there are still performance debate between family and non-family, and in family objectives, where the results are inconclusive in this manner (Altindag & Zehir, 2012; Ehrhardt et al., 2006). One of the criticism is family business research, that is mostly descriptive rather than strategic orientation, where the orientations have fewer citations, and they focus on how to develop the relationship between family and business rather than firm performance (Carsrud, 2012). Understanding the family in the strategic context of family organization situation is urgent, especially when there are different strategic goals that are worth to be persuaded (Sharma, Chrisman & Chua, 1997).

The performance improvement topic continues as an interesting subject in management, academic, scholars, and practice, and it is the heart of strategic management (Earnhart, Khanna & Lyon, 2014). It sources the understanding of strategy type and design on organization's performance and responses towards environmental conditions as described by Obel and Gurkov (2013). It is the time test for any strategy (Schendel & Hofer, 1979) and functions of managerial strategy, organizational characteristics, process, and the environment (Miles, Snow, Meyer &

Coleman, 1978). Furthermore, there are shortages on reviewing to recover the reasons of the inconsistency of findings (Lindow, Stubner & Wulf, 2010).

In addition, integrating moderators into the relationship explains the possibility for deceptive deductions and declarations of accurate understanding of contingency relationships (Campos, La Parra & Parellada, 2012; Rosenberg, 1968) because this relationship reviews performance implications (Venkatraman, 1989). For example, according to Baron and Kenny (1986), moderators introduced in the relationship between predictors and the criterion is important in unexpected or conflicting relationship. Unlike many other places in the world, Palestine does not regain its independence and it is still under the Israeli's occupation.

Sabri (2008) revealed that the study is a 67 year old conventionalism of family organization with significant grow and today's development. Unfortunately, in Palestine, the 67 years of military occupation left a uniqueness and uncertainty environment of slow distorted pre-state economic situation that subject's to the Israeli's economy (NGOMONITOR, 2007; Abuznaid, 2014). As an example, the World Bank (2007) argued that the additional programs were needed to address the unique situation improving enterprises' capabilities. The economic situation holds the hallmark as a less-developed economy (Abdelkarim & Alawneh, 2009). In Palestine, different sector's contribution declined as compared to other sectors. For example, the share of agriculture in GDP has declined to less than 6 %, and the industry remains low at around 12 % to 13 % of GDP, while services and public sectors expand rapidly, as driven by donor's fundings and remittances from the export of labor (PCBS, 2013; WB, 2007b). The average size of the industrial enterprise is about four workers, no larger than it was in 1927 (Roy, 1999), capacity of utilization is 57 %, where they cannot hope to be internationally investing besides using old technology (WB, 2007b). A recent survey by the Palestinian Central Bureau of Statistics in 2012 showed that 97 % of the business owners and managers thought that the overall business performance is negative and did not improve (PCBS, 2012). The following table shows the owner's and manager's perception of survey.

Table 1.1
*Industrial Enterprises Perceptions of 2012 in Palestine*

| **Items** | **Negative or did not Improved %** |
|---|---|
| Overall Firm Performance | 79.1 |
| Financial Performance | 79.9 |
| Sales Volume | 60 |
| Facilities | 34.6 |
| Local and Foreign Competitiveness | 97.7 |
| Obstacles to Export | 88.6 |
| Obstacles to the Expansion of Production | 94.6 |
| Conflicts with External Environment | 13.0 |
| Difficulties in Finding Qualified Employees | 20.6 |
| Production Problems | 77.4 |
| Productivity Problems | 84 |
| Raw materials problems | 87 |
| Access to Information | 38.9 |
| Marketing problems | 86.8 |

Note. The survey conducted in Palestine by PCBS (2012)

However, previous studies showed that small size and the firm performance are negatively related (Krogh & Cusumano, 2001). Palestine FBFs are not an exemption (Sabri, 2008). There are 104,000 economic units, where 91 % are working in the private sector, mostly FBFs (Sabri, 2008) and they face serious challenges

The general indicators showed that FBF is responsible for 90 % of business, 55 % of gross domestic product, and 85 % of jobs in Palestine (The Portland Trust Economic Survey, 2012). Despite these facts, historically, Palestine family business has begun for a long unknown period, since 400 years ago (Sabbagh, 2008). There are some successful examples of FBF's continuity in spite of instability, for example, "Tubeileh Family" worked in the soap industry (N.S.CO, 2016). The history of the ceramics industry in Palestine is not less than 400 years. According to Al-Bizri (2011), the Turks were the first to enter the industry in Palestine through the restoration of Al-Aqsa Mosque in Jerusalem. They were the first manufacturer of porcelain in Jerusalem in 1922, subsequently the glass and olive wood industry back in the sixteenth century in the city of Bethlehem. In Palestine, the issue of FBF performance appeared as an important subject in public policy discussion only in last few years (Sabri, 2008).

Although without any legal, recognitions were made between the family, and non-family business in which it considered SMEs in large companies in the extent family organizations. Similarly, there is no realized concerning of the family business sector heterogeneity. Something like a "typology" of family business does not exist (Sabri, 2008). Firms in general are small organizations that employ 5-19 workers. The medium staging organizations employ from 20-49 workers and the large organizations employ more than 50 workers. The 90 % of the enterprises employ fewer than 50 workers from the 286,000 workers, which represents 84 % of the total workforce, and contributes 71 % of the value added and constitutes 71 % of the gross capital formation, which makes 68 % of the full compensation in the national economy (AL-Sous, 2010).

Table 1.2
*Main Activities of Family Businesses in the West Bank*

| **The main economic activities in Palestine** | **No of FB** | **FB No of Employees** |
|---|---|---|
| Agriculture, forestry and fishing | 7521 | NA |
| Wholesale; retail ; repair motor vehicle and motorcycle | 44181 | 44746 |
| Manufacturing | 11595 | 9769 |
| Other services activities | 9027 | 7925 |
| Accommodations and food services | 4455 | 4131 |
| Transportation and storage | 1711 | 607 |
| Financial and insurance activities | 712 | 665 |

Source: Author, depend on PCBS (2014).Note. FB = Family Business

The distribution of organizations operating in Palestine's economic shows that repairs, retail and the wholesale was first in 73,823 firms, where industrial is the second of 17,858 firms, and the other firms of service works are 13,098. The lowest number of households work for their own use with six organizations (PCBS: Statistical Yearbook of Palestine, 2013). A large proportion of the family's business organization depends on financing its fiscal deficit through the contribution of the owners as a large proportion working unpaid, where 36.7 % of family business are unpaid working which helps these firm to support its financial equity (PCBS, 2014). A few research on family business sectors have been carried out in Palestine (Sabri, 2008; Khoury et al., 2014), where public sector policies and international organizations paid more attention to the developing countries voiced by the investment environment for the economics' growth (Stern, 2007).

Table 1.3
*Legal Status of the Businesses in West Bank-Palestine*

| **Legal status in the West Bank** | **Business firms** | **Family business firms** |
|---|---|---|
| Sole proprietorship | 71981 | 85.4% (67205) |
| Defacto co. | 5467 | 6.4% (5036) |
| General partnership | 1981 | 2.1% (1652) |
| Limited partnership | 317 | 2.3% ( 1809) |
| Shareholding co. | 2040 | 0.6% (427) |
| Public shareholding co. | 405 | 0.6% (427) |
| Legal status in the West Bank | (88421) | 90% (78694) |

Source: PCBS (2013)

The Guardian (2002) reported that the hostile and inefficient environment affected the organizations sustainability to maintain its durability during shutdown and war conditions of Israeli military invasions of Palestine. It affects the FBF performance, where hostility has restricted the goals of business activities and growth in Palestine (Al-Ali, 2014). For example, it showed weakness in growth and feasibility (Roy, 1999). The most compelling evidence is more than 4,000 out of 100,000 firms were closed in 2013 (PCBS, 2014). Align to it; FBFs faced many challenges that affect its performance at the end. Sabri (2008) categorized them into five main problems. They mainly affect the firms' abilities to choose or implement strategies (Khoury, Amer & Khalaf, 2014). These challenges caused the closing of greater than 29 % of the cases, selling 43 % of the cases, or leaving some owners or dissolution of the ownership in larger than 28 % of the cases (Sabri, 2008). For example, is the closure of the Palestinian Hayat Insurance Company (HIC), a large family firm in 1990s (Khoury et al., 2014).

In the same context in terms of performance decline, Palestine positioned the lowest scale of doing business environment performance in the world, which was 132 of 189 countries in 2013 (World Bank, 2014). Those were the recommendations that were uttered in the family business performance strategy, which titles the challenges, limitations and opportunities faced by FBFs in Palestine (PADICO, 2011). It recommends to establish a framework for FBF performance, and a strategic management implementation criterion in Palestine (MAS, 2012). Parnell et al. (2012) recommended conducting more research on strategic management. Others even requested such research to be conducted in distinct culture and business assumptions among develop countries during economic turbulence period environment (Liu, Yang & Zhang, 2012). In a similar vein, family business and other enterprise specifically in the Arab world were recommended (Cummings & Worley, 2014; Zahra, 2011).

## 1.2 Problem Statement

The general indicators showed that closed corporation had 90 % of companies in Palestine, 55 % of GDP, 85 % of latest jobs and 71 % worth another that made 68 % of the complete compensation within the financial set-up (The Portland Trust Economic Survey, 2012; AL-Sous, 2010). Although, 43 % of the family business have their own strategy and success stories e.g. in food, construction, and money companies. However, it is the general performance of recent and up to date indicators that weakens unendingly, since 79 % of the business homeowners reckons it negatively (PCBS, 2009; 2012; Ammar, 2010; Khoury et al., 2014).

In line with RBV (1991), the firm size indicates firm performance. However, in Palestine, the previous and up to date indicated the weak growth of family companies (Roy, 1999; PCBS, 2014). Moreover, lots of abundance of family business fails within the introductory stage or in first-generation, as 4000 business were cleaned up in late 2013, and solely 18 % of the established companies kept operative within the period of 2007-2013 (AMCML, 2011; PCBS, 1995; 2011b; 2014). As a result, the immediate deprive of work and loss of income, wherever they face a big harm of social links, psychological and personal debt requires many years to clear (Cope, 2011). Khoury et al. (2014) believed that because of the company that cannot address strategic orientations and different environment threats, the large HIC insurance company was closed, with over 200 employees were fired from their jobs in Palestine. However, the indications of the family business firm size of over 86 years from 1927 to 2013 showed a weak growth. Therefore, the sectors shared a decline value throughout the years (PCBS, 2013; Roy, 1999).

Family business faces management dispute whenever they use recent or ancient strategies (Sabri, Jaber, AL-Bitawi & Awwad, 2015). They also face threats of external setting uncertainty, strategic implementation fails, and family involvement role (Sabri, 2008; Sultan, 2014; Khoury et al., 2014). World Bank (2016) report voiced that Palestine business disclosed a slow growth over the years, for instance from 127 in 2013 to 162 in 2016, as compared to Jordan and Israel (Sultan, 2014).

However, these challenges and limitations caused 29 % closed cases, 43 % sold cases, or 28 % to go away from homeowners or dissolution of the possession (Sabri, 2008; PADICO, 2011; MAS, 2012). However, Sabri et al. (2015) classified the challenges into five main classes associated with strategic orientation on family company. They are management dispute, use of recent and ancient strategies of financial, operation and strategic management, the external environment uncertainty, strategic management implementation fail, and family involvement effects (Sabri, Jaber, AL-Bitawi & Awwad, 2015). These challenges of strategic orientation were primarily moving the firm's talents to decide on or implement methods, and economic development (Khoury, Amer & Khalaf, 2014).

Furthermore, the unique environment uncertainties exerted by Israeli's imposed restrictions were still the greatest threat for doing business in Palestine (WB, 2014; Abuznaid, 2014). A scholar pointed that Israel has restricted individuals daily live, movement, product and capital (Al-Ali, 2014). Over 60 commercial firms threatened to close within late 2015 (Maan, 2015). The World Bank estimated an annual output lost related to the restriction of $3.4 billion or the same of 35th Palestinian GDP in

2011 (UNDP, 2015). However, Sabri et al. (2015) revealed that the investment price redoubled.

A conference paper was recommended to promote studies privately to help corporate performance, reality, and strategic orientations in Palestine and in the Arab World (PADICO, 2011). Moreover, a recent indicator showed that 23 % of family corporations within the geographical region have organization structure and strategic management problem, where 43 % of the corporation failed due to the lack of design, and 30 % due to the lack of management (Brain, 2015; PWC, 2014). Furthermore, studies within the context of family business strategic orientations in the Arab World region are urgent, whereas historical, institutional, dimensional, and social context of strategic management of family business may be different. Miles and Snow (1978) classification is valid in western countries (Ketchen, 2003), and tiny in eastern countries (Welter et al., 2016), whereas it is not examined in Palestine country environment. Zahra (2011) confirmed that strategic management and business environment deals with a lot of analysis and investigations within the Arab World, as well as within the family business performance in several environments (Parnell et al., 2012).

Unfortunately, family business analysis have dominated management discussion on the fundamental of strategic problems with family business (Abdullah, Shah, Iqbal, Gohar & Farooq, 2011; Acar & Acar, 2012; Altindag & Zehir, 2012; Altindag, Zehir & Acar, 2011; Amit et al., 2014; Anderson & Reeb, 2003; Aragón-Sánchez & Sánchez-Marín, 2005; Sharma et al., 2012). Family business is very important to the international economy, as it represents 80 to 95 % of the small, medium and large business in the world. They also contribute 79 % of the international GDP (FFI, 2014; Nandakumar et al., 2010; Poza, 2013; Sharma et al., 2012; Wee & Patriarch, 2012; Welter et al., 2016; Yeung, 1999). Despite that, scholars and managers debated the concern of family business performance for 25 years (Sharma, Chrisman & Gersick, 2012).

The findings in strategic orientation showed that family business succeeded partially in some stable environments in Western countries (Altindag & Zehir, 2012; Zellweger & Sieger, 2012), but they are inconclusive in the Eastern Countries nor in the Middle East environments (Bennedsen & Fan, 2014). For instance, the family business performance is uncertain or poor (Allouche et al., 2008; Altindag & Zehir, 2012; Anderson & Reeb, 2003; Rutherford et al., 2008; Westhead & Howorth, 2006). For example, only little from family business firms can survive, gain profit, or face difficulties to grow for the second or third generation (CBIA, 2008; Poza, 2013; Kachaner et al., 2012). Furthermore, the business life expectancy downed to 24 years and became shorter, where 67 % cannot survive beyond the founding generation (Alcorn, 1982; Poza, 2013).

Previous reviews on family business focuses specifically on performance. A few studies have focused on strategic orientation and structure in the family business, despite the performance on family business versus non-family business and ownership succession. In line with RBV theory (1991), strategic orientation and organization structure in family business context is extremely relevant from the practical point of view since there is emergent body of indication that displays that family firm uses strategic orientation and structure to overcome their economic situation and develop their competitive advantage.

Previous research indicated that firm's strategic orientation and structure aligns with environment and business characteristics, usually overtakes their competitors and strategic orientation (entrepreneurial, operations, engineering) as widely recognized as the main determinant of continued superior performance. Consequently, many family business gains from their strategic orientation. Addressing this gap will increase our knowledge on family business in unique environment, aiming to assess the strategic orientation and the structure of family firms in Palestine. The effect of this relationship moderated by family influences the external environment and influences family firm performance.

In the line with RBV (Barney, 1991), previous studies proposed that the performance can be developed by strategic orientation (DeSarbo, Benedetto, Song & Sinha, 2005; Hambrick, 1983; Miles, Arnold & Thompson, 2011; Smith, Grimm, Chen & Gannon, 1989; Zahra & Pearce, 1990). The RBV methodology has the prospective to recognize the resources and capabilities that creates family business uniquely and allows them to develop family-based competitive advantages (Habbershon et al., 2003). The RBV of the firm recommends that valuable, rare, imperfectly imitable, and no substitutable assets can lead to viable competitive improvement and higher performance (Barney, 1991). The measurement was adopted in terms of the firm's success by researchers of the organization. The business performance measures fiscal, quantitative or non-financial qualitative like firm survival (Lindow, 2013b; Murphy et al., 1996; Wall et al., 2004). Alternatively, it makes the firm gain profit

(Lee, 2006). It also proposes as the firm's actual growth versus planned projections (Nandakumar et al., 2010). On the other hand, the firm develops significantly on the family firm rather than the non-family firms, or the special improvement of business through strategic orientations in the future (Zellweger & Sieger, 2012; Zellweger & Astrachan, 2008; Zellweger & Nason, 2008).

The strategic management theories explain the previous inconclusive results of studies which have been questioned in the light of the continuing failures in the application of strategies in a different geographical context (Basco, 2015; Wright, Chrisman, Chua & Steier, 2014), and environments (Welter et al., 2016). De Massis et al. (2008) have proposed that strategic orientation, organizational structures, and environment are immediate factors for firm performance, where 50 to 90 % of organizations in the world have failed to implement initiation strategies (Cândido & Santos, 2015). Researchers have used contingency theory (Chandler, 1962) for a long time, but still some gaps in the contingent and moderating relationship between structure and strategy needs to be covered in light of dynamism, rapid change, uncertain, and hostile environment that influences the firm features (Okumus, 2003). However, the other important theory is the resource-based view theory that depends on the harmony of structure as internal resources and strategy to offer durable resources and competitive advantage (Barney, 2001b). Both theories explain the implementation of corporate strategic orientation in different environments (Galan & Sanchez-Bueno, 2009; Hambrick, 1981). In addition, competitive strategic orientation in the relationship with structure, the environment, and the business performance (Pertusa-Ortega, Molina-Azorín & Claver-Cortés, 2010) and in the relation with family business performance (Lindow et al., 2010) are still debated, but is even tougher in the relationship between strategy and structure (Smirat, Abdullah & Shariff, 2014). Moreover, the findings and the two theories face a strong criticism because they were developed and tested in developed economy, where it ignored the family firm heterogeneity in terms of environment, behavior and performance in emerging and developing in the Middle East and the Arab world (Basco, 2015; Basco & Rodríguez, 2009; Garvey & Childs, 2016; Zahra, 2011). Besides, both theories have tested the interactions concerning Miles and Snow strategic orientation types and performance in different environments (Oyedijo & Akewusola, 2012). It also examines the theories and typology in the context (Whetten, 2009), where contextual variances have to be reflected in management theories (Bamberger, 2008; Johns, 2006); as well as in family business studies (Smallbone & Welter, 2001; Welter et al., 2016).

Various business strategic orientation methods of textual, multivariate, and typologies were used to discover the relationship between business strategies and details to the environment, structural and process that influences its organizational performance (Hannan & Freeman, 1977; Porter, 1980; Snow & Hambrick, 1980). For example, Venkatraman (1989) implemented strategic orientation using time by researchers. Nevertheless, the most repetitively used is Miles and Snow (DeSarbo, Benedetto, Song & Sinha, 2005; Hambrick, 1983; Miles, Arnold & Thompson, 2011; Smith, Grimm, Chen & Gannon, 1989; Zahra & Pearce, 1990).

Miles and Snow's (1978) methodology was validated. Moreover, it inducted to characterize the business strategy, in terms of entrepreneurial, engineering and administrative problem (Ketchen, 2003). The findings supported the central contention and relevant differences of Miles and Snow (1978), in terms of prospectors, defenders, and analyzers strategic orientation, which performs better than reactors in some competitive environment (Lindow, 2013a; Pittino & Visintin, 2009; Pleshko & Nickerson, 2008a; Slater, Olson & Hult, 2006a). Empirically, there is consequential relationship between strategic orientation and firm's quantitative and qualitative performance (Altindag & Zehir, 2012; Altindag et al., 2011).

The main power of this typology is the appreciative worry of the structural and evolution significant to the awareness of a given type of business strategy. Miles and Snow typology mirrors a compound view of organization and environment process, as well as the features of market, product, technology, the structure of the organization, and management characteristics (Smith, Guthrie & Chen, 1989).

This issue views that family influence is the main source of power and decisions on family business actions, financial and strategies in the family firm context (Amit et al., 2014; Chrisman, Sharma & Taggar, 2007; Klein, Astrachan & Smyrnios, 2005; Sharma, 2004), and it distinguishes between family from non-family firms (Bauman et al., 2002). Family business heterogeneously affects the creation (Basco & Rodríguez, 2009), the progress and sustainability of family firms (Chrisman, Chua & Kellermanns, 2009; Chrisman, Chua & Litz, 2003; Wright et al., 2014).

Astrachan (2010) has reminded that family firms have to use strategic orientation tools to understand the interaction effect of family influence, organizational structure decisions and external environment on family firm performance. RBV explains how the appropriate resources (e.g., familiness) could lead to competitive advantages and offers some view for clarifying how these resources could be developed through family influence (e.g., the development of competitive advantage), where its role in amplifying the necessities for protecting the business as a family firm is only created for exploration. The act to sustain family business is the start towards filling this gap. Olson and Hult (2006) affirmed that the family influence on the business is greater than the business influence on the family.

However, family business relationship between strategic orientation and organizational structure dispute is sustained with deficient knowledge on the role of family in decision-making (Beatty & Talpade, 1994; Bennedsen, Nielsen, Pérez-González & Wolfenzon, 2007; Deligianni, Dimitratos, Petrou & Aharoni, 2015). Burns and Stalker (1961) proposed a simple theory of mechanistic centralization decision and organic decentralization decision. Strategic orientation mirrors the organizational choice and directions to interact with the external environment and organizational structure (Okumus, 2001).

Chandler (1990) defined an organization structure upon its level of centralization. Owners of family firms generally associate with centralized form of organizational structure (Bloom & Reenen, 2010), where the centralized organizational structure acts as an extension on the owner's personality (Bloom & Reenen, 2010; Wait & Wright, 2014). Theoretically, strategy and structure cannot be separated as they lead to each other (Galan & Sanchez-Bueno, 2009; Gomes & Gomes, 2007). Empirically, organization structure and environment provides sustainable competitive features resulting in superior performance (Meijaard, Brand & Mosselman, 2005). As a whole, there are variations in influence between environments, where part of the study shows a significant and strong relationship with the firm performance as in manufacturing firms in the UK (Nandakumar et al., 2010). A weak relationship can be observed in large Spanish firms (Pertusa-Ortega et al., 2010) and indirect ones through hybrid competitive strategy in different periods (Pertusa-Ortega et al., 2010).

In 1930s and 1960s, strategic scholars have linked the environment and strategic initiation with implementations to explain organizational performance (Donaldson, 1996). It was widely accepted that environment stability could develop firm performance and create economic growth (Bertrand & Zitouna, 2008; Bhattacharya & Ravikumar, 2001; Gils, Voordeckers & Heuvel, 2004; Gilson, 2007; LiPuma et al., 2013). From the point of view on contingency theory, the organizational structure and strategic orientation adaptation of environment are prerequisites for firm success (Child, 1972b), where they are the main source in RBV theory for competitive advantage (Barney, 2001a). The previous studies showed that organizational performance can be developed as a result from the interaction between uncertain environment and centralized decisions (Nisar, Rodríguez-Monroy, Ruiz & Yuxi, 2012; Sablynski, 2012).

In this manner, there is an agreement between environmental school (Mintzberg, 1973), design of organization school (Selznick, 1957) and strategy and structure school (Chandler, 1962), which suggested either environment is the vital issue in the strategy creation process or organization could be selected out (Ogollah & Bolo, 2009). Scholars suggested that corporate structure in the small and medium family firm must be adapted to its firm-specific environment which creates high firm performance (Hagen, Zucchella, Cerchiello & De Giovanni, 2012), understand environment factors, and influence firm performance (Armesh & Marthabnd, 2013), which should be aligned along the structure of creating employment, consumers, and competitors (Acs, Desai & Hessels, 2008).

The external environment moderates the association concerning strategy and structure in varying properties either directly or indirectly (Venkatraman & Prescott, 1990), in entrepreneurship as hostile and dynamism environment (Lumpkin & Dess, 2001), and as moderators in the relationship between business strategy and relative competitive performance (Nandakumar et al., 2010). This study inspects the proposition that external environment moderating effects on strategic orientation and organizational structure effects the family firm performance (Miller, 1987). To deal with this gap, this study will integrate the contingent role of the external environment, which researchers neglected the effects of strategic development in family firm performance and economic growth models (Stern, 2007).

Miles and Snow typology was estimated more than 1000 times in the last years (Ketchen, 2003). Currently, the enormous majority of family business researchers have been regularly intensive on developed economies (e.g. North America and Europe), where less are focused on emerging, developing, or transaction economies (Wright et al., 2014). Unfortunately, some of these studies have ignored the contextual of the family business in terms of validity (Welter et al., 2016). However, recent studies required a quick and close look at the heterogeneous nature of the family business context (Welter et al., 2016; Whetten, 2009).

By addressing this gap, it would contribute significantly to family business field (Smallbone & Welter, 2001; Welter et al., 2014; 2016). Furthermore, theories from the family business literature was created on certain points of view and verified in developed economies. This restricts our understanding on family firms around the world as the environments may differ substantially (Rabl, Jayasinghe, Gerhart & Kühlmann, 2014). For that reason, the validity, reliability and applicability of existing theories may be questioned (Welter et al., 2014; 2016).

Based on the previous discussion, the study will examine the moderated effects of external environment and family influence on the relationships between strategic orientation (defender, analyzer, prospectors and reactors) and organizational structure effect on family firm performance. In other words, the study will examine the Miles and Snow (1978) typology to discover the determinants of family business performance in new environment. Family firm context on Palestine as an Arab country in the Middle East have unusual turbulent, unique, and uncertain environment, where they stayed under political occupation for 68 years. Towards this end, the study is interested to answer these questions (1) what is the effect of business strategic orientations on the family firms in Palestine. In addition, (2) how the Palestinian family business manage to survive by business owners.

## 1.3 Research Questions

The main question of this study is how to develop family business performance through investigating the strategic orientation, organizational structure moderated by family influence (Klein et al., 2005) and external environment effects (Palmer, Wright & Powers, 2015) in the relationship with family firm performance. The following questions will be discussed in the research problem in order to find out:

1. Is there a significant relationship between strategic orientation (SO) and family firm performance (FFP) in Palestine?

2. Is there a significant relationship between organizational structure (OS) and family firm performance FFP in Palestine?

3. Does family influence (FI) moderate the relationship between strategic orientations (SO), organizational structure (OS) and family firm performance FFP in Palestine?

4. Does the external environment (EE) moderate the relationship between strategic orientations (SO), organizational structure (OS) and family firm performance FFP in Palestine?

## 1.4 Research Objectives

The study attempts to investigate family firm performance in uniqueness, uncertain situation, and unpredictable environment (Gomes, Gomes & Oliveira, 2011) in the moderating relationship of family influence and external environment that leads to high performance, depending on strategic orientation and organization structure as independent variable in contingent situation (Frooman, 1999; Luthans & Stewart, 1977). The study will examine the determinants of family business performance from the following specific objectives:

1. To examine if there a positive significant relationship between strategic orientations and family firm performance in Palestine.

2. To examine if there is a positive significant relationship between organizational structure and family firm performance in Palestine.

3. To examine whether family influence moderates the relationship between strategic orientations, organizational structure and family firm performance in Palestine.

4. To examine if the external environment moderates the relationship between strategic orientations, organizational structure and family firm performance in Palestine.

## 1.5 Significance of the Study

This study of strategic management in family business field integrates family influence and external environment to moderate the relationship between strategic orientations that align with organizational structure and family firm performance. In order to examine the inconclusive performance results of the previous studies, primary data stems from the variables of the study helps to determine the relationship between strategy, structure and family firm performance. It is important to consider that almost 60 % of the performance measurement on family business studies examine only one or two variables, with direct relationship, traditionally in normal environment, theories, or methodology (Murphy et al., 1996; Welter et al., 2016). Unlike other studies, this research will investigate family business performance financially and non-financially using four variables, either directly or indirectly through two moderator.

### 1.5.1 Theoretical Contribution

The study integrates the external environment as a moderator in the situation of uncertainty, either efficiently or ineffectively (Rauch, Wiklund, Lumpkin & Frese, 2009; WB, 2007). At the same time, it will also use four strategies of Miles and Snow (1978) including defender, analyzer, prospector, and reactor, which is operationalized (Segev, 1987b) on new and different environment of Palestine, depending on the contingency besides RBV theories with the centralized organizational structure decision (Bloom & Reenen, 2010; Lindow et al., 2010). In this framework, family influence is included as a moderator. As an example, what makes a family business outperform (Daily & Dollinger, 1993; Dollinger & Golden, 1992; Harvey & Evans, 1994; Kellermanns & Eddleston, 2004) and contingent management activities to propose strategies, style and characteristics' relationship between family influence (Morris, Williams & Nel, 1996). As revealed by different studies, the RBV and contingency theories as internal factors and external environmental factors are critical points for performance and success (Liao, Welsch & Pistrui, 2001; Muse, Rutherford, Oswald & Raymond, 2005).

The significance of the theory is part of the subject. In which the external environment as moderator not investigated before in family business strategic studies context in undeveloped countries, and under Israeli political occupation. The variables of strategic orientations of Miles and Snow (1978) typology, organizational structure and family influence effect family firm performance (Lindow et al., 2010; Lumpkin & Dess, 2001).

The research framework will add a new explanation on family organization and performance determinants that was confusing in contingent situations. The use of contingency theory besides the RBV theory is to reach more explanations on the content and the design. The findings from the empirical studies supported both the contingency theory and the RBV theory (Pertusa-Ortega et al., 2010), besides going back and using contingency theory as an important issue on family business performance and management in the face of requisite. Therefore, it is influential to use the contingency model in family business research (Royer, Simons, Boyd & Rafferty, 2008) because it was used limitedly in recent (Astrachan, 2010). The study uses these variables of the theory to add more explanation to determine the unique contradiction and conflict or uncertainty and of aggressive conflict in business. Lubatkin, Durand and Ling (2007) described strategic management studies in family business as missing lens. This study's framework used to validate the main part of family business confused behavior in some environments, where they live in long contingent situations (Adler & Gundersen, 2007). This study uses external environment and family influence as two moderaters, which is a complete new approach to add more validation to the future's invention of family business theory. In the consistence with the previous studies, results recommended to use different theories (Astrachan, 2010; Lindow et al., 2010).

### 1.5.2 Methodological Contribution

The study will use stratified random sampling in a different way from the prior studies. Unlike previous studies, the sample will represent more than 90 % of firm's economy and three main components of family business (small, medium, and large) to all industries, which gives a greater opportunity for the generalization of results (Lindow, 2012). In a different context, using the framework in comprehensive way through two moderators will add more explanation and new links between variables of the determinants in family business firm.

### 1.5.3 Practical Contribution

The study provides new empirical evidence and framework on business strategy in different environment. The effect on family influence and external environment on the strategic orientation relationship has less attention in family business studies (Casillas, Moreno & Barbero, 2010). Moreover, the study found that family influence and external environment have direct and indirect effects on strategic orientation, organizational structure and family business performance in Palestine. The study in Palestine emphasizes family influence through family business development. Family influence is one of the factors that ensure the continuation of family business in a rapid change and aggressive environment, where dynamism and hostility are high.

This study will help to recognize the urgency of the existing needs on determinants of family business performance, where these factors help to recognize and develop supportive policies based on their strategies, structure, and new environment links in the Palestinian Arab Middle East country context of family business.

In the same manner, the forum capitalizes on Palestine Exchange (PEX) efforts with the potential to transform into listed shareholding companies, as a step towards governance, organization, growth and sustainability as well as adapting transparency and good corporate governance practices. Only a minority of wealthy families will retain their wealth over time and it is recommended to improve their performance by spreading the culture of governance.

Palestinian enterprises urged that the Palestinian consulting firms would be encouraged to specialize family business issues, educate public and stakeholders to increase their awareness on family business issues, invest in humans to improve competencies, and work on family business issues research (PE, 2011). Unfortunately, because of two uncertainties in Palestine area since 67 years of Israeli hostility, the Palestinian's authority power is limited to develop business enterprises (Naqib, 2015; Zunes, Kurtz & Asher, 1999) and new strategic orientations could help in the situation of the long political and army struggle.

This research has further establish Palestine's family business strategic orientation classifications, which enables the owners to develop their companies toward efficiency without losing their control over their firms. In addition, it will help public authorities to improve their efforts in supporting family business in Palestine.

## 1.6 Scope of the Study

This study focuses on inspecting family influence and external environment moderating effects on the relationship between strategic orientation and organizational structure on family firm performance. The sample of the study consists of 380 family firms in Palestine, that was registered at the Palestinian National Economy Ministry and the federation of Palestinian chambers of commerce, industry and agriculture. In terms of strategic orientation, the variables tested will be defender, prospector, analyzer, and reactor, while for organizational structure; the study variables will be mechanistic in terms of centralized decision, and organic in terms of decentralized decision.

In terms of family influence, the variables will be family power, family experience, and family culture, while for external environment; the variables will be dynamism and hostility. The family firm performance was measured using financial and non-financial measurements in the last three years of 2012, 2013 and 2014. The financial measurements include return on assets (ROA), return on equity (ROE), earnings before interest and taxes (EBIT), and sales average, while the non-financial measurements include perceived performance related to firm's objectives and perceived performance.

## 1.7 Organization of the Study

The study consists of five chapters, whereby chapter 1 discusses the introduction, justification of the study, problem statement, objectives, questions, and contribution of the study. Chapter 2 reviews the prior literature on theories and empirical findings on strategic management that aligns with organizational structure, the role of family influence, environmental effects, and family business performance. Chapter 3 explains the research methodology, conceptual framework and theoretical justification for the hypotheses development. Chapter 4 highlights the results, while chapter 5 discusses and concludes the study with a summary.

### 1.8 Definitions of Key Terms

Strategic Orientations: It implicates the execution of strategic tips that lead the operations of organizational behavior to realize entrancement in optimal for business performance (Hakala, 2011). The SO is the strategic course of the business' essentials to intend new creativities (Okumus, 2003). It comprises the execution of strategic guidelines that monitor the actions of the firm to create behaviors that attain continuity in ideal performance of the business (Chen & Liang, 2011; Kohtamäki, Kautonen & Kraus, 2010).

Organizational Structure: It refers to the channeling of collaboration, specifying modes of coordination, allocating power and accountability, and prescribe levels of formality and complications (Miller, Dröge & Toulouse, 1988). This study refers to the organizational structure in terms of centralization that donates to which the authority's decision held by top directors, or deputized to mid-executives (Olson, Slater & Hult, 2005).

Family Influence: It refers to family effect on firm behavior and outcomes, where it happens through family power, culture, and experience. The influences include ownership, management, supervision, generations, and culture (Chrisman, Chua & Sharma, 2003; Klein et al., 2005).

External Environment: External environment refers to the conditions, entities, events, and factors that surround an organization to influence its activities and choices, and determine its opportunities and risks (Palmer & Bob, 2002). It operationalizes using dynamism besides hostility. The dynamism denotes to the uncertain environment, which is the ratio's change of the industry innovation along with the competitors and customer's uncertain and unpredictable actions (Burns & Stalker, 1961; Lawrence & Lorsch, 1967b). Hostility refers to the risk's percentage that the firm is modeled by the ups and downs of concentration on competitions in principal's firm industry (Khandwalla, 1972).

Family Firm: It defined based on ownership's characteristic that tie between shareholders, which connects the shares among the family members, for instance the blood existence or siblings (Anderson & Reeb, 2003). The more generally and inclusively defined as in the organization is founders and heirs control or own 51 % or more on the organization (Soininen, Puumalainen, Sjögrén, Syrjä & Durst, 2013).

Firm Performance: It refers not only to the results of activities of an organization over a given period of time but also to the organization's effectiveness and accomplishments. Most constructs were revealed to one of the eight performance dimensions: efficiency, growth, profit, size, liquidity, success/failure, market share, and leverage, where efficiency, growth, and profit were most commonly considered dimensions. It is also classified into financial and non-financial, or objectives and subjective (Murphy et al., 1996).

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

The main purpose of the chapter is to deliver a complete appraisal of the interrelated literature to the key construct of the study. The literatures are related to family firm performance, which are proposed by researchers to be highly related and unique as organizational form of business (Anderson & Reeb, 2003; Chrisman, Chua & Steier, 2003). Consequently, family firm performance has become more central area of research (Sciascia & Mazzola, 2008). Therefore, researchers on family firms began to recognize this special kind of firms and research breed in line with the proposition that the family, firm environment and ownership relationships with strategic orientations mark family firms to differ and outperform other firms (Astrachan, 2010).

One of the major research concern relates to the question of whether family and environment influence the relationship between strategies, structure and family firm performance (Chrisman, Chua & Steier, 2003; Kach, 2012). Some researchers concluded that family firm is an excellent theme for success, and studies have not indicated unconditional superiority (Aronoff & Ward, 1995; Harris & Ruefli, 2000; Jaakkola, 2012). Rather, the results from family business performance were described as lacking consistency (Westhead & Howorth, 2006) as being divided (Lee, 2006), contradicted (Dyer, 2006), mixed (Górriz & Fumás, 1996), conflicted

(Mazzola, Sciascia & Kellermanns, 2013) and mysterious (Mazzola et al., 2013). Performance research continued as a unique theme in most of the management fields, where strategic management was an interesting subject to academic researchers and operating managers (Beckhard & Dyer, 1983; Sharma et al., 2012). While impositions for developing and managing firm performance were vastly available (Nash, 1983), the involved academicians discussed and argued the research problems, issues of analysis levels, in which one is suitable for the usage of performance assessment. It is the basis for conceptual debate of the individual, of the organization as a work-unit, or organization as a whole (Ford & Schellenberg, 1982; Gomes et al., 2011).

Despite the significance of the performance, firm's effectiveness is mostly investigated (Connolly, Conlon & Deutsch, 1980; Goodman & Pennings, 1977; Hannan, Freeman & Meyer, 1976; Kirchhoff, 1977; Steers, 1975; Yuchtman & Seashore, 1967), where the performance treatment in research design is possibly unique due to the complicated issues challenging the researchers today.

Despite the significance of the performance meaning and the area, firm effectiveness, is mostly investigated (Connolly, Conlon, & Deutsch, 1980; Goodman & Pennings, 1977; Hannan, Freeman, & Meyer, 1976; Kirchhoff, 1977; Steers, 1975; Yuchtman & Seashore, 1967), the performance treatment in research design is possibly unique of the complicated issues challenging the academic researcher today.

## 2.2 Family Firm Performance

Rose (1995) defined performance as the language to move forward in an organization and it points out organizational situation where it moves. In other words, it functions as a pilot in monitoring organizational pathway whether it achieves the objectives or not. It is a powerful behavior since it communicates to the stakeholders its importance and matters for accomplishing business goals. It is an instrument to continue improving (Neely, Gregory & Platts, 1995). In the next literature, aspects on family organization performance from family business in Palestine and the world in the relationship with firm and the study variables are reviewed.

### 2.2.1 Family Firms Definitions relationships with Firm Performance

Astrachan and Jaskiewicz (2008) viewed that there is no well agreeable definition on family business (FB). Kayser and Wallau (2002) also added that empirical studies do not give any operational definition on family business. Some literatures suggested three main streams of family business definition related to firm performance consist of content, purpose and form (Klein et al., 2005). For example, Flören (2002) delivered an immediate summary on additional 50 definitions, which mostly uses content one (Litz, 1995), ownership (Georgas et al., 1997), management involvement (Burch, 1972), or generation succession (Ward, 1997).

By contrast, some of the recent studies focused on the FB culture related to the definition that affected business performance (Chua, Chrisman & Sharma, 1999). Chua et al. (1999) argued that it is important to distinguish theoretical definition and operational definition in family firm performance issues, where by theoretical definition sets the paradigm for the field of the study and the standards against which the efficacy of an operational definition can be measured.

The definition of FB should be clear, transparent and unambiguous (Astrachan, Klein & Smyrnios, 2002). Family business is related to individuals who can influence the business. There are several definitions on ownership. For instance, two people who are unrelated in the business through blood, marriage or an atomic family of more than one nuclear family. Chua, Chrisman and Sharma (1999) stated that any definition must start at the theoretical level and not at the operational one. They also added that without operational definition, the theoretical definition cannot be applied, where the theoretical definition of a family business distinguishes it from other business. According to them, there is no widespread arrangement on the meaning of family firm, where revisions showed that family firms differ from non-family firms as a result from certain role in the family that ensures doing business at different stages (Chua et al., 1999). Hence, family firm was viewed as a unique set recognized by scholars (Chrisman, Chua & Litz, 2003). Performance aspects were connected to the allocation of family fragments, ownership and direction of the firm to face the goals of both family and business. Moreover, performance-based system of the business can be linked with family relationship-based system in family business relationship (Ward, 1997). Firm goals can be produced by overlapping family, ownership and management (Craig & Lindsay, 2002).

According to Zahra (2011), Bloch, Kachaner and Stal (2012), and Kachaner et al. (2012), the limitations of understanding the range and performance of family firm in different environment continues.

Donnelley (1964) defined family business as a control variable, where in some studies it was identified of having at least two generations of a family and has a mutual influence on the company's policy and family objective. Researchers agreed that the influence of family in the business performance is the one that differentiates family business performance from others (Handler, 1994). Some of the descriptions are based on the unique involvement of the family members (Howorth, Rose, Hamilton & Westhead, 2010), which depends on management, ownership, governance, and succession and its effect on business objectives and entrepreneurship (Chua, Chrisman & Sharma, 1999; Chrisman, Chua & Sharma, 2003). Alcorn (1982) defined family business as a profit-making legal form, which operates the business. Others defined family business as method that contains both family and business, where the initiator links with the board of directors (Alcorn, 1982). This definition includes three qualifying combinations: family-owned and family managed, family owned but not managed, and family managed but not owned. Alcorn (1982) also proposed that it was a business of two or more extended family members influence the directions of the business.

Babicky (1987) affirmed that family business is a form of small business, where one or few persons have ideas and play a vital role in developing and achieving it, mainly with a limited source and growth, where they own the majority of business. Donckels and Fröhlich (1991) voiced that family should have at least 60 % of business equity in family's business. Holland and Oliver (1992) connected family business to ownership or management.

Sharma (2004) proposed that deep relationship between family and business gives a clear singularity to differentiate family business from other business. Workshop (2009) suggested that it is significant to accept that family business have a better view on family, business and ownership as it aligns very much to Austria (2008). Chua, Sharma and Chrisman (1996) defined family business to be consequential as a strategic management orientation in fulfilling and controlling the firm towards the goal. Mandl (2008) claimed that family business was formed on the majority of decision-making. This study notes family business in medium or large company to control decisions and ownership, including the firm founder(s) who aims to transfer the business on to their family members. The terms of family business or any other related terms like firm, company, own business, own company or controlled company will be used interchangeably during the study to refer to family business

### 2.2.2 Determinants of Family Firm Performance

Similar to the previous discussion, studies sought to justify the influence of family business matches non-family business. Dyer (2006) based on the performance criteria used by the researcher's distinctive methodological approaches has proposed that four out of nine research have informed family organizational to be better than the non-family organizational, while two research have mixed results. Closer inspection of these research definitions have caused several different causes and different conclusions were reached.

The family business definition is different across researchers as being subjective rather than objective. Thus, the sample that have been included may cause uncertain results, for example, the size of the sample, the kind of industry, and the performance measurement might be subjective or objective. These research problems have assured the importance to study the special effects of different influences on firm performance (Scott, 1992). Dyer (2006) confined four factors to determine firm performance. They are industry, governance, and firm characteristics of social capital, strategy, and management.

Despite the increasing of literature, there is less hope to reach an agreement on the basics of firm performance frustration's terminology and definitions (Venkatraman & Ramanujam, 1986) in the absence of comprehensive methodology (Wright et al., 2014). As mentioned, family firm performance overlaps business and environment (Brännback & Carsrud, 2012). The complex relationship was determined by external environment, where the business was located (Welter et al., 2016). All these must be interrelated parts of the bigger system inside and outside of the business. This leads to the discussion on how to define family business performance (Carsrud, 2006). As we introduced in the past subchapter, there is a shortage in operational and theoretical definition on family business (Klein et al., 2005; Lumpkin, Martin & Vaughn, 2008). The existence context on family business definition comes from anthropology and sociology, culture, and heterogeneity (Basco & Rodríguez, 2009; Rogers & Wright, 1998).

The traditional determinants include a profit firm, where extended families influence the business direction through management procedures or right handling with environment (Basco,

2015; Tagiuri & Davis, 1992). Family firms are a subgroup of privately owned firms. Their interest grows through unique challenges that faces entrepreneurship literature (Kraus, Craig, Dibrell & Märk, 2012), where family system consists of business and ownership. These three parts work together to make a new balancing system. Moores (2009) argued that family firm is an open-system model. This view builds the system's approach towards organization. It is believed that organization has organisms, where it opens and lives in their environment with appropriate relationship with the environment (Goudie, 2013). Tagiuri and Davis (1982) introduced the notion of three-circled model (see Figure 2.1) as the key to family institution paradigm (Moores, 2009), where the three systems interrelate roles in goals, ways of doing things and in their demands. An individual in the family is the cornerstone for the family's obligation needs.

Owner focuses on the stability of the family and business returns. The manager's main goal is firm's operational effectiveness (Tagiuri & Davis, 1996). However, understanding the complexity of this system is the priority to keep the business performance sustain (Carsrud & Brännback, 2011). Family business system consists of interrelated people from family member and non-family member in the organization, attributes, organization and goals tied to the motivation in entrepreneurs. Communication and organizational decisions are important for the system to exist, boundaries, environments and evolution system (Carsrud & Brannback, 2009).

Matser (2013) viewed boundary in terms of directness from the arrangement of organization to be unique as it differentiates business belonging from non-belonging family to belonging family. The dynamic nature of the family is another side of individuals' roles and responsibilities, which could be changed in different stages and situations of the life cycle (Hoy & Sharma, 2009). This change could be important to entrepreneurs to enter the business structure which aligns with environment when the workload increases (Steier, 2007) and gets complicated in later generations, where strategic orientation will be needed (Gersick, Lansberg, Desjardins & Dunn, 1999).

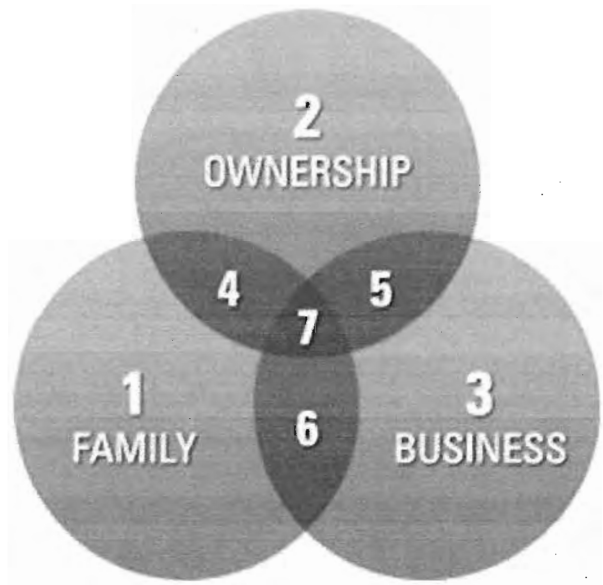


Figure 2.1
*The Three-Circle Model (Tagiuri & Davis, 1996)*
**Note:** This track continues in family organization systems is becoming larger and Family firm Characteristics and Performance.

The question of what makes a family business performance different is still the source to new studies and comments (Collins, 2012). The aspects of family influence are roles, experience, involvement, and communicated own language, privacy, a shared identity, and the sense of family organizational future view of long-term orientation (Tagiuri & Davis, 1996). The long-term orientation implements the strategy as it gives a long-term view, so it is not in a hurry for quick results under cost pressure (Vries, Miller & Noël, 1993).

According to Caspar, Dias and Elstrodt (2010), a popular family organization seeks for a stable and long run growth and performance with a moderate risk versus short-run performance in reducing family fortune risk. Meanwhile, Collins, Tucker and Pierce (2012) thought that family's strategic business orientation approach could be less successful during economic rapid growth, but it decreases the chance to fail during economic crises as it achieves a healthy return.

The added value and portfolio diversification of stable and risky returns will be better in family business as compared to non-family organization counterparts (Caspar, Dias & Elstrodt, 2010). They have performed in line with the market in economic crises (Anderson & Reeb, 2003). The greater independence of action, over strategic orientation and other activities are advantage due to their limited responsibility in family stockholders.

This gives the family business a greater chance to decide as it acts on opportunities to increase wealth (Collins, 2012). However, managing family firms is a contingent factor. Casper, Dias and Elsdrodt (2010) showed that an optimal way to manage business depends on the size of the family, values, education, the industry and the outside environment. Family business benefits high on financial of capital and growth when handling the environment (Mazzi, 2011).

Some researchers think that family network environment is important in a country as compared to other countries depending on the investment of climate (Fellman, Pérez & Colli, 2013). It is argued that due to weak economy and legal institutions in developing economy, family business depends on family network in providing information and enforcing contracts (Mork, Wolfenzon & Yeung, 2005). Family network engages in business efficiency, business opportunities, new ventures and source of financing (Bertrand, 2009). Besides that, family influence as a source of pride provides a sustainability competitive advantage of performance on business.

Astrachan et al. (2002) suggested that family power, experience, and culture scale measurement of family involvement acts as a continuous scale for family involvement. It also provides elasticity during times of economic hardship in family business to face crisis and to keep on its employees, markets and family wealth in the financial downturns (Goutas & Collins, 2011).

Furthermore, family organizational structure is different from other structures in terms of decision-making. For example, due to the informal culture and centralization, family ownership obligates a general control on the popular worldwide companies of 27 rich and poor economies (Porta, Silanes, Shleifer & Vishny, 1999). Ownership, involvement, and management have affected firm development structure, so we find centralized organization structure to maintain a control in weak laws, on poor countries and block typical ownership in rich countries (Morck & Yeung, 2003). Others describe it is an intangible competitive advantage that is hard to imitate or to duplicate (Shinnar, Cho & Rogoff, 2013).

Breton-Miller and Miller (2006) revealed the success factors of 58 large family firms are due to four Cs factor: command, continuity, community, and connections. Training family members is an important advantage as it enables the family's sons and daughters to know the business, to have timely training in the business climate which prepares them for the future opportunities. Lentz and Laband (1990) classified family organizational into general and specific human capital, as it shows the self-employed in family business organization to be two to three times greater compared to non-family organization. There is a correlation between family members in the preferences for entrepreneurial activities, which shows a significant relationship between human capital and successful business. Family firm can serve incubators and models for other entrepreneurial activities as family helps to shape attitudes and self-efficacy (Carr & Sequeira, 2007).

Vries (1994) identified disadvantages in family organizations, which included weak touch to finance through capital markets, disturbing organizations, nepotism, spoilt child condition and also conflicts. Family firm performance and access to capital are one of the main challenges that the firm faces. Ward (1988) confirms that family invests most of their wealth at the first stage of business life cycle and due to need of growth, owners work to use the firm's revenue to overcome these needs instead of reinvesting for additional booming.

It is important to know the firm's structure and environment well as it persuades us towards ownership and control, year of business beginning, business plans and objectives (Boyer & Roth, 1978; McMahon & Stanger, 1995), family values (Storey, 1994), and kind of work (Carleton & Silberman, 1977). Barton (2001) has recognized factors that influence family involvement in owner's equity structure, which includes financial, personal, and social factors. According to Bates (1991), size, kind of industry, organization's age, owner's firm goals and plans to reach these objectives can influence the business owner's decisions. Some arguments face the in efficiency of the organizational chart (Collins, 2012), but there are less empirical studies to cover this point. The nepotism and spoiled child syndrome in family organizational was criticized by some scholars. Wang (2003) thought that nepotism is not an accepted action because some hiring in management does not depend on qualification, but on blood relationship with the owner or manager. Hence, a bad behavior towards family and business because of priorities are changed and the connections between the performance and strategies were forgotten (Bertrand & Zitouna, 2008).

Whyte (1996) thinks that nepotism has two opportunity costs, where it reduces the competitions between the qualified and the unqualified workers, as well as reduces the chance on non-families in the optimal labor market. Gender plays an important role in some cultures. For example, male leaders are dominant in financial and network management (Chiu, 1998), in which women feel exploited (Dhaliwal, 1998). Nevertheless, nepotism has an advantage in creating trust environment, excellent communication and positive effect (Bellow, 2004). In performance, it is difficult to ignore that conflict is a result obtained from business relationship activities in family organizational, where it reduces the evolution of business (Collins & Net, 2012).

The leading sources of conflict in the business organization are family and business because they contradict commitment and demands. Collins and Net (2012) proposed that the prime reason for most of the failures in family business is the conflicting demands between family and business. Greenhaus and Beutell (1985) expressed that conflict reasons in family business related to time management of family needs, business needs and the participation in one role. Beckhard and Dyer (1983) proposed that disagreement issue was the main reason of conflict in his findings. Family's business stability linked to the present founder (Morris et al., 1996).

Other researchers uttered about the cognitive conflict which relates to the issue of this study. It talks on goals and strategies, where strategy implementation has positive relationship with firm performance. They also found that there is no significant relationship between process conflict and firm performance (Kellermanns & Eddleston, 2007). The cross features are mutual and in several conditions it does interfere. For example, the owners play an important job in constructing a successful organization, but if they ignore training or create adequate and appropriate status for a new generation interested in play, the whole firm might go down (Jaffe, 2007).

This negative effect becomes worst when the leaders hesitate to let go or if the organization culture is less innovative. In family firm, the one-time role as owner and manager explains the reduced need for governance mechanism as it aligns with interest. The absence of significant agency costs is a corner stone for family and relative firms with scattered ownership and external managers (Schulze, Lubatkin, Dino & Buchholtz, 2001). The negative effect caused by role interlock increases when familys' harmony in decision-making process in the organization is forbidden. This occurs when there is only one distinguished successor, where all siblings are positioned as new managers due to family's harmony.

The disputation for this study is agency costs accuracy, which should be taken into family organizational account. For example, children in management position can act as free riders because they know their parents will not neglect those (Schulze et al., 2001). With respect to the shared identity and the meaning of family company, Sharma (2004) proposed that the uniformity of goals that different stakeholders are working on to achieve is an important predictor in family firm performance. A mismatch can lead to serious conflict that can damage the family's organization. Meanwhile, a shared personality will help to achieve consistent goals.

Jaffe (2007) described that family members have a special stenography language, where they class information quickly and got things done efficiently. However, this does not mean that families know how to communicate on critical issues. Furthermore, Florén and Tell (2004) submitted that taboo subjects exist within families and by implication, within family's organization. Such ideas are left buried in order to avoid disconnection within family's regularity. Another aspect related to the event of cross realization and privacy is strong awareness among family members. This gives them prudence into how to advocate one another. The high awareness encourages the sensation of a safeguard privately outside the family business, which could help family members to experience depression (Tagiuri & Davis, 1996). Other researchers speak on cognitive conflict, such as goals and strategies, where by strategy implementation has positive relationship towards firm performance (Kellermanns & Eddleston, 2007).

### 2.3 Priorities of Family Firm Structure

Family influence with different features derived from the described interactions concerning business system and family resulted to be centralized or decentralized in the firm. The specific features of family firm influence include (a) mixture goals of financial and non-financial (Harris, Martinez & Ward, 1994), (b) willingness to continue, and (c) risk aversion. All these features are considered influential on decision-making, including strategic and structuring decisions.

### 2.3.1 Continuity Priorities

Family organization have higher priorities of continuity as compared to non-family organizations (Suárez, Pérez & Almeida, 2001). For this reason, family firm characterized by long-term orientation refers to the tendency to prioritize the long-range implications and effect of decisions and actions that come to fruition after an extended period of time (Lumpkin & Brigham, 2011).

### 2.3.2 Risk Aversion Priorities

Family firms are more liable to be risk averse due to the interfere nature from family and business (Ward, 1997). The risk aversion grows from the fact that the firm is the main family asset (Neubauer, 2003). Thus, risky firm behavior has important implications for the family which holds a high stake in the firm. The level within family ownership can influence manager's risk taking propensity. Moreover, the attitude towards risk depends on or at least strongly linked to the controlling generation (Moores & Barrett, 2002). Family's organization avoids risky work because the collapse of it has more catastrophic outcome on the family as compared to the managers of non-family firms with less or no ownership benefit. Sidoroff et al. (2007) showed statistically that family firm is risk averse as compared to non-family firm. It seems that family influences strategic and structuring decisions indirectly by being more risk-averse. Empirical studies done by Kachaner et al. (2012) in the United States, Portugal, Italy, Spain and Mexico based on 149 public traded family organizations with income of more than $1 billion compared to non-family organizations under the same circumstances between 1997-2009 has been developed in the following example, Table 2.1.

Table 2.1
*Family Firm Characteristics versus Non-Family Firm*

| Characteristics | Family firm (FF) | Non-family firm (NF) | Notes |
|---|---|---|---|
| Luxurious offices | No | Have | FF less paid out |
| Risk | Averse | Taker | FF save more and spend less. |
| Continuity | High | Low | FF invest in strong projects. |
| Wealth/ Sacrifices in crisis | Better | Not good | FF debt of capital is 37% VS 47% |
| Expansion | less | more | 2% in FF VS 3.7%. |
| Diversification | Highly | Some | 46% of FF VS 20%. |
| International | More | Less | FF 49% VS 45% in NF. |
| Turnover | Low | High | 9% in FF / year VS 11%. |
| Training | More | Less | FF EUR 885/ year VS 336. |

**Note**: FF = Family firm, NF = Non-family firm, NA = not available

**Source:** Author depend on (Kachaner et al., 2012).

### 2.4 Family Firm Performance the Dependent Variable

Family firm performance has never been reliable, either positive (Carney & Gedajlovic, 2002) or negative (Dyer, 2006), where it was complex and had no linear relationship (Anderson & Reeb, 2003). It was affected by family influence (Klein et al., 2005), firm's and business strategy (Astrachan, 2010), and internal structure and by environment (Sociascia et al., 2013). At the organizational level, firm performance can be classified based on three main dimensions: time, value and observation-relatedness (Chod, Rudi & Van Mieghem, 2006). Time-relatedness categorizes firm performance, which is based on whether they are oriented on the past or future performance, and whether they have a short-term or long-term character. The value-relatedness measures according to the quantitative financial such as profitability of the firm or qualitative and non-financial such as firm's survival character, where the performance measure are indicators with or without monetary units (Ittner, Larcker & Randall, 2003).

Previous studies suggested the use of both objective and subjective performance measurement, which uses financial and non-financial criteria prior to family firm performance research (Wall et al., 2004). So far, most of the studies employed objective and financial performance measurement (Daily & Dollinger, 1992; Mejía, Haynes, Nickel, Jacobson & Fuentes, 2007; Krivogorsky, 2006; Schulze et al., 2001). However, general arguments recommend the use of subjective or non-financial performance to measure the family firm performance. Normally, family firm owners are very sensitive on releasing any performance figures (Ling & Kellermanns, 2010). There is hardly any access to show data for private firms. Financial information is not publicly available (Dess & Robinson, 1984) and law does not require publication. Instead, those respondents may prefer subjective to objective measurement because confidential are seen latter (Song, Droge, Hanvanich & Calantone, 2005). Anderson and Reeb (2003) noted that objective financial procedures assess only one measurement of firm performance.

Other qualitative factors need to measure family firm performance adequately. Family firm may set their own performance measurement based on their performance dimension, including financial performance and non-financial benefits

(Astrachan, 2010). The following table displays different measurements used in firm performance in previous studies and its frequencies.

**Table 2.2**
*Overview of Performance Measurements in Previous Studies*

| **Dimensions** | **Frequency** |
|---|---|
| Efficiency (ROI, ROA, ROE, RONW) | 30 |
| Growth (Change in Sales; in employees; in market share growth) | 29 |
| Profit | 26 |
| Size | 15 |
| Liquidity | 9 |
| Success / failure | 7 |
| Market share | 5 |
| Leverage | 3 |

**Source:** (Murphy, Trailer, & Hill, 1996).

Furthermore, the financial performance measurements can be classified based on, accounting data, return on equity, return on assets, and total sales volume, where it reflects the firm's past performance. Meanwhile, Srivastava, Shervani and Fahey (1998) uttered that market-to-book value and price-earnings ratios are included to reflect the present value of future streams of income and the future position.

Measurement of Financial performance measurement can further be classified using absolute value, net income for example and in relative terms, net income relative to assets for example, and with other relative figures taking into account the scales of business. The third dimension is observation-relatedness distinguishes between objective and subjective performance measurement (Wall et al., 2004). Objective performance measurement consists of items that can easily be quantifiable and provide exact numerical values on accounting. On the other hand, subjective performance measurements are perceptual. Thus, subjective performance measurement delivers a comparative valuation of firm performance slightly more than the exact mathematical value (Brush & Vanderwerf, 1992).

Based on this fact, subjective measurements for being bias was criticized by scholars. Subjective performance measurement are divided into quasi-subjective and fully subjective. The quasi-subjective performance measures opinions on objective measurements and relative performances as compared to competitors in terms of sales. Meanwhile, fully subjective categorizes firm's performances in: (a) financial performance such as profits, return on assets, and return on investment; (b) the product market performance such as sales and market share; and (c) shareholder return such as total shareholder return and added economic value (Richard, Devinney, Yip & Johnson, 2009b).

The fully subjective performance measurement allows scholars to take advantages on assessing the overall rather than individual performance. Based on previous discussion, this study will use both objective financial accounting-based performance measurement and the subjective performance measurement. There are four objective's performance measuring dimensions. The annual sales measure the gross receipts of a company. The return on assets (ROA) measures firm's ability to utilize its assets to produce profits, and it intends as the earnings before interest and taxes (EBIT) separated by average total assets for the year (Zellweger & Astrachan, 2008). The annual earnings before interest and tax (EBIT) deal with profitability of a firm without taking into account its cost of capital or tax implications. The return on equity (ROE) measures the return on the shareholder's investments that is calculated by dividing the yearly EBIT with the average shareholder's equity (Kane, Marcus & Bodie, 2004).

### 2.5 Strategic Orientations

Strategy is all about being different from others, or doing the same activities in different ways (Gregory & Dess, 2005). Strategic management involves the setting and application of the main objectives and actions taken by organizational top managers on behalf of owners, which considers the source and estimation of the environment where the firm works (Nag, Hambrick & Chen, 2007). Porter (1996) suggested three basic implied strategy: creating a different and valuable position in the market place, making trade-offs by selecting what not to do, and fitting between organization's activities with one another to back the selection strategy.

It is important to know that the interaction between families and business can develop strategy formulation (Beach, 1993; Ibrahim, Dumas & McGuire, 2015). Scholars proposed that organizations in order to sustain must develop a strategy for every generation joining the business, which gives the modern people a chance to be independent in any situations and lead them for a better working relation (Jennings, Rajaratnam & Lawrence, 2003; Post, 1993).

Strategic orientation states that a firm's specific method of behavior is to determine the improvement and retain a set of consistent reactions towards numerous environmental actions (Miles & Snow, 1978). Any rough competitive environment in administration will force managers to follow the best strategies that allows their organization to surge firm performance in the market. According to Sushil (2012), implementing rich strategies that fits a company's rapidly varying commercial environment is vital for organizational performance to exist and continue.

Strategic orientation holds the whole business strategic direction of a company and it is essential to propose new initiatives (Okumus, 2003). Porter's (1980) well-known arrangement of generic strategies, as well as Miles and Snow's (1978) strategy types have sometimes been stated as strategic orientations, but it seems that Venkatraman (1989) was the first to use concept of strategic orientation. It comprises the application of strategic rules that display the activities of the organization to generate performances, which achieves steadiness in perfect business performance (Chen & Liang, 2011; Kohtamäki, Kautonen & Kraus, 2010). Strategic orientation is essential in organizational capacity to adequate the environment (Cummings & Worley, 2014; Soni & Kodali, 2011) and reach the competitive advantage (Soni & Kodali, 2011).

Literature has shown an unlimited arrangement of care on the search of strategic orientation (Miller & Dess, 1993; Soininen, Puumalainen, Sjögrén, Syrjä & Durst, 2013). Different scholars like Lillo and Lajara (2002), Hofer and Schendel (1978), and Williams and Eliza (1995) proposed that SO reflects the core measurement of reliable replies to numerous environmental interpretations, deal strategies and competitive improvements. Henceforth, descriptive research between 1970s and 1980s have been activated to recognize manners or mutual features in the firm's way to compete (Miles & Snow, 1978; Miller & Friesen, 1984; Mintzberg, 1973; Porter, 1980). Williams and Eliza (1995) recommended strategic direction of firm's typology as general strategies to put into operation the strategic orientation notion. Miles and Snow (1978) typology is one of the best-recognized strategic orientation and is broadly validated in changed environments for both developed and undeveloped countries in previous and recent studies (Garvey & Childs, 2016).

However, these business strategic orientations have limited implication in the Middle East countries. Zahra and Pearce (1990) proposed that there was a partial submission of Miles and Snow typology in unindustrialized nations and in undeveloped countries (Altindag, Zehir & Acar, 2011), as well as in the Middle East and Arab world (Zahra, 2011). Moreover, Welter et al. (2016) emphasized that there was also a void in the present built of knowledge that linked the connection of this typology in the context of family business in emerging nations as a strategic choice.

The strategic orientation choice for performance by Child (1972b; 1997) highlighted it as business strategic choice, whereby strategy, structure and process fit the dynamic environmental circumstances which changes over time. The environment as a complex combination of factors, together with industrial custom, products, market conditions, government instructions, as well as human and non-human resources of raw materials and obtainability of financial were viewed (Miles & Snow, 1978). Each of these issues can influence the organization to handle the strategic type. Miles and Snow speculated that the organization's structure method intended by environmental circumstances can affect manager's and organizational structure choices partially. They also identified three interaction domain decisions that expresses firm's strategic orientation.

The macro entrepreneurial decision concentrates to identify the product and market selection. The micro administrative decision concentrates on the relationship of structures within the firm. In addition, the engineering decision focuses on the mandatory measures in handling the entrepreneurial problems that overlap the macro and micro outlooks (Narver & Slater, 1990). The strategic orientation includes four groups: defenders, prospectors, analyzers, and reactors (Miles & Snow, 1978). Moreover, the firm must be able to make adaptation and alignment on the environment and organizational characteristics and other internal arrangements to make decisions consistently (Mintzberg, 1973). Mintzberg (1973) identified strategy as a pattern run of choice that concentrates on resource allocations used to touch reliable states with organizational environment.

However, strategy was proposed as a form or proposal that assimilate the most important goals, rules, and activities into a consistent whole to achieve performance (Quinn, 1980). It aligns with Mintzberg (1994), where strategy was viewed as a managerial plan for objective achievement. In addition, it provides directional points to enable the organization in achieving objectives as a threat and opportunity responding to the environment (Rumelt, 2005). Moreover, Lessard (2003) described the strategy as a framework in which decisions were made and taken.

Strategic orientation of Miles and Snow (1978) included employment of strategic guidelines that led the firm's activities to reach continues optimal performance (Hakala, 2011), where scholars debated on strategy and structure relationship. Chandler (1962) proposed that strategy leads the structure, which is consistent with contingency theory. Previous literatures examined contingency theory (CT) in different environments, where CT dominated strategic research for a long time (Meier, O'Toole, Boyne, Walker & Andrews, 2010). The relevant rapid change in recent economic world, and environmental uncertainty has led to different results by which strategy affects structure and was effected by structure (Galan & Sanchez-Bueno, 2009), where it lines with RBV theory that proses structure as an internal resource (Barney, 1991).

The changes in the old and new theory takes its role in the interpretation of strategic changes in the organization. The SO by Miles and Snow drew the attention, where it achieved many of researcher's objectives in the strategic management field (Bing & Zhengping, 2011). It considered as a key element with important implications for the management and efficiency of firms (DeSarbo et al., 2005). For example, it investigates the relationship among ownership structured firms, strategic status, and organizational growth. Agreeing with Miles and Snow, organizations in each type display a steady design of performance in their results while dealing with many environmental issues. A full description of these orientations appear in Table 2.3.

Table 2.3
*Miles and Snow Typology (1978)*

| **Orientation** | **Description** |
| --- | --- |
| Defender | This firms' orientation try to have a slim market/product area, try to produce or sustain a position with a partial choice of service or product. It has a small technological basement, does not effort to exploration out of its domain for new prospects. It develops subordinate on its thin field. Therefore, it attempts to defend its field with lesser prices, upper quality, greater supply, formal hierarchy and |

| | |
|---|---|
| | high degree of centralization structure of a defender firm. |
| Analyzers | This firm' orientation ensures characteristics of mutually the defender and prospector directions, maintaining a stable and limited field, while simultaneously cautiously moving into a new field only afterward prospectors have showed its feasibility. Analyzers are followers, yield the likely ideas of prospectors and effectively market them. They pursue flexibility along with stability; approve structures that can provide accommodations both steady and varying domains. |
| Prospectors | Prospector frequently examine for new prospects, a wide-ranging and elastic market/product field and a wide technological field, makes modification of the environment, considered by a little degree of regularization, decentralization, and horizontal as well as straight up communication. This firm replies rapidly to early signs of changes and is frequently the first to arrive a new market/product area. It is not automatically positive in all of its activities, nor is it very effective since market/product improvement is a major worry of this firm. |
| Reactors | Does not have long standing goals or pronounced strategies, and no reliable pattern of actions, inactive in dealing with numerous subjects. It does not try to keep a defined market/product field, nor does it attempt to exploit on practicable environmental prospects. |

**Source:** Adopted from Miles and Snow (1978).

Firms may concentrate aspects on technological position, innovation, organizational design, and personnel management (Smart & Conant, 2011) as a business strategy in SO. Strategic status provides firms with means for achieving a competitive advantage in the marketplace and superior performance. Finally, the strategy selection is related to family firm goals and the CEO's uncertainty perception of some specific issues in family firm environments (Gils, Voordeckers & Heuvel, 2004).

Recently, it was found strategic orientation depend on organizational structure and environment in family firm research partially (Lindow, 2013b). Chua, Chrisman and Steier (2003) argued that family firm could be distinguished because the family dominates strategic decision-making. Moreover, the strategic relationship with environment is investigated using three variables of strategy and industry cycle moderated by external environment, where they argued that more studies in this manner of strategic management in entrepreneurship performance is rare required (Lumpkin & Dess, 2001).

Ward (1988) highlighted that family influence always affect business strategies final selection and implementation. Sharma et al. (1997) emphasized that family influences all the steps in firm's strategic orientations, including manager authority, control and commitment (Jones, 1982). Family influence could also limit the strategic aggressiveness in family firm (Ward, 1988). Thus, family is likely to adopt strategies that allows them to accomplish their goals (Colli & Rose, 2008) and strategy implementation (Harris et al., 1994). Strategic orientation in FB results the interaction between family, management, and ownership (Hoy & Verser, 2000).

Theoretically, most strategic theories underline performance implementation, which tests the strategy (Schendel & Hofer, 1979). Both contingency and RBV theory clarifies the association among strategy, structure and firm performance relationship, where they have some limitations (Pertusa-Ortega et al., 2010). Before introducing the strategic management, it is important to understand family business definition in the relationship with strategic management. Chua, Sharma and Chrisman (1996) defined family organization as an organization that ruled and managed continuity as well as potentially cross generations with implicit or explicit vision held by some members of the family. Porter (1996) argued that sustainable competitive advantage cannot be accomplished by operational effectiveness, where they do things better than competitors do.

In general, there are no differences between family business and non-family business from strategy aspect. They must formulate, implement and control to achieve organizational goal (Sharma et al., 1997). However, the differences are in the people who participate, their goals they place depending on the environment and how they achieve these objectives through structure (Sharma et al., 1997). There is a direct influence on family business owners in all the process, while it is an indirect process by the family in a non-family firm (Harris et al., 1994).

The strategic management setting and implementation in family business depends on family's orientation to use the opportunity and threats of environment, organization sources and skills, management values, and social responsibilities (Sharma et al., 1997). The stages are important to choose between alternatives, and to implement the strategy as well as how the firm accomplishes the goal in the light environmental opportunities and threats, economic and non-economic values will determine the organization's performance (Sharma & Manikutty, 2005).

Jones (1982) in his study on 69 family firms has compared strategic planning in family's organization with firms that does not hire them. He found that family business of going deep in environment wiping, identifying the future chances through research, and involving family's individuals in planning steps are more successful than non-strategically planning firms. A mixed of family preferences were found in the study of 990 firms of family and non-family organizations (Chan, Reilly, Henderson, Kahn & Salluzzo, 1997). Strategically, family business performance in family organizational differs in terms of size and ownership-managing structure, which based on the degree of family's engagement, and the management orientation of family firm individuals depending on his power in the family and business (Holland & Boulton, 1984). The comparison study of 77 business managers on 49 family members found that family business had much personal orientation and trust on their employees (Lyman, 1991). A previous study on 58 CEOs of family operated wholesale board dealership found that the level of strategic planning, family regularity, and availability for externals on the board of supervisors and the internal positions of control on the managing owners are positively associated with higher level of continues planning. However, there is no significant relationship between sizes of business or age of owner and the level of continues strategic planning (Malone, 1989).

Unfortunately, most of the studies on family business are descriptive rather than orientated. In addition, the orientation studies discussed the relationship of business components rather than business performance (Sharma et al., 1997). Moreover, earlier articles reviewed family business rather than business firm literature

(Friedman & Friedman, 1994; Handler, 1989; Marshack, 1993). However, previous studies considered family ownership and family management as influences of firm performance directly, but recent arguments supported the indirect relationship that emphasized the importance of strategic management using mediating or moderating variables.

Some discussions referred to the study by Rutherford et al. (2008) found that relationship between family influence and business performance is indirect and proposed that an increased attention is needed in family involvement to influence the strategic management of the firm. It points out that organizations have strategies on the growth of achieving above-average return on shareholders, but the same sample without strategic orientation of growth only achieves the average yield for the shareholders (Miller, Breton-Miller & Lester, 2011).

The strategic management process in the family business in irregular business environment must define problems and opportunities that related to the environment and organizational capabilities accurately in order to produce better strategic decisions, improve strategy implementations, policies, procedures, tasks, and control methods. It seems that family influence is clear in all steps of operational management, including family's interest and values that are integrated into sets of goals and objectives.

Family's choice of goals are affected by decision criteria, where family involvement in implementing is created by its own dynamic, politics and possibilities, as well as how family sees the role of non-family as managers (McCollom, 1990). Sharma et al. (1997) added that strategy in one environment could only be a goal in other business environments, or not a goal in other environments. Researchers only know little on how families plan their strategies and scan their environment, match their capabilities, or evaluate alternative strategies, but it is sure that how the strategy formulated effects influenced by family is seen only partly or completely (Ward, Bickford & Leong, 1996). It is important to understand how the environment effects the achievement of goals efficiently, including the ones related to family or family business (Hollander & Elman, 1988).

Anderson and Reeb (2003) and Chrisman et al. (2009) voiced that identifying the differences between family businesses is the best strategy to separate the differences, then to strengthen the advantages, and to reduce the disadvantages efficiently. Secondly, is comparing the performance of family business with other family firms (Beach, 1993). This will enable the scholars to know how the family influences the firm performance, or to use a kind of contingencies that help the firm to reach the best performance criteria, and it is important to make progress in the field (Beach, 1993).

Strategic goals and objectives can lead the firm, and family business performance is affected by the degree of family involvement in the business (McCann III, Leon-Guerrero & Haley Jr, 2001), and on the interactions between owners and organization's need (Davis & Harveston, 1998). Setting business objectives is particularly different between organizations, society to society, and in priorities (Wiklund & Shepherd, 2005). The first important step of entrepreneurship is to harmonize the family and organization, which rely mostly on the founder and entrepreneur's characteristics (Habbershon, Williams & MacMillan, 2003). The second step changes the goals of the family and business for the care of future sons, and in the last step, it avoids conflicts that negatively affect the goals of firm's economic performance (Dyer, 2006).

The change in goals can affect decision-making and priorities for some families, while some families view their organizations as a way to prepare their children for the best career and not for legacy, when continuity is not through succeeding generations (Dean & Sharfman, 1996). Sharma et al. (1997) made attention to the fact that family organizational appears to differ in the aspect of strategy setting and executing. Also concerning whether carrying out of strategy related to firm performance or not, when respectively asking, "Which organizational structure is likely to be most effective for family businesses?" because an efficient strategy will provide competitive advantage and brings sustainability to the organization resulting in superior performance (Oosthuizen, 2005). Furthermore, as we mentioned in the literature review of strategy, Miles and Snow model is the most widely used strategic framework in family firm research. Proponents of strategic choices thought that the organization's behavior is partial due to the environmental situations, where top managers are the critical determinants of organizational structure and process (Miles et al., 1978).

Miles and his friends thought that organizational adaptation helps to evaluate their performance from time to time, modify their mechanisms, and develop strategies, but the environment it is in continues to change for adaptations, depending on alignments (strategic fit) between organization and management through strategic typologies of defender, prospector, analyzer, and reactor. Considerable research have backed Miles and Snow typology across the firm, although strategy, environment and structure alignment of family firm research have high performance effect (Lindow, 2013b).

Overall, the major variables in this general model are firm characteristics, contingencies, and firm performance, whereby the alignment between contingencies and firm characteristics lead to the increase of firm performance (Donaldson, 1987).

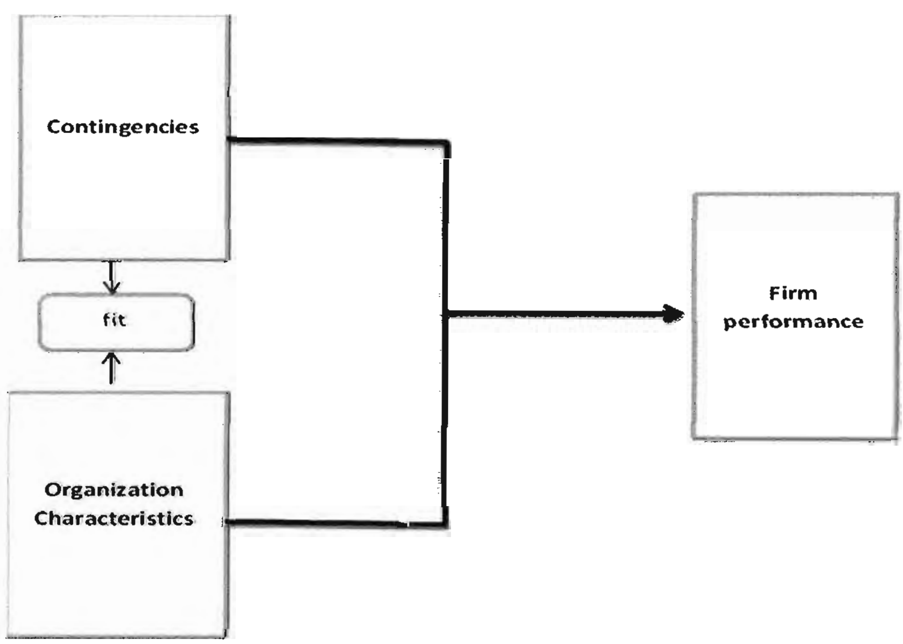


Figure 2.2
*The General Fit Model*
**Source:** Author, adaptation from Donaldson (1987): p. 3.

Firm characteristics in this study refers to either organizational structure or strategy. The characteristics of these organizations seen to vary with contingencies (Donaldson, 2001), which represents the internal environment (Miller, 1981) and external environment (Donaldson, 2001). The inner contingencies include firm size or its organizational structure, whereas the external contingencies include illustration, technology or environmental uncertainty.

All contingency factors refer to environment (Mobach, Rogier & Leeuw, 1998) or context (Wood, 1979). In this manner, firm characteristics refer to organizational structure (Burns & Stalker, 1961), management practices (Youndt, Snell, Dean & Lepak, 1996) and managerial skills (Gupta & Govindarajan, 1984), while contingencies refer to strategy (Grinyer, Yasai-Ardekani & Al-Bazzaz, 1980), organizational size (Child, 1972b) and environment (Burns & Stalker, 1961).

The four main strategies that was examined in this study was the strategic typology of growth oriented: defenders, analyzers, prospectors, and reactors as proposed by Miles et al. (1978). This model suggested that entrepreneurship firms, which faces three leading problems, should be adapted. They are entrepreneurial problem in general, engineering problem related to appropriate technology, and the administrative problem, which refers at reducing certainty within the organizational system (Miles and Snow, 1978). Inconsistency results from one of the three roots: (a) managers fail to indicate a viable organizational strategy, (b) strategies indicated but technology, structure, and process are not connected to its suitable manner, and (c) management tie up to a particular strategy-structure relationship even though it is no longer relevant to environmental conditions.

Miles and Snow's (1978) model was adapted in this study, where it was supported by recent commentaries (Lillo & Lajara, 2002) as well as in current studies in family firm (Lindow, 2013a). This typology offers a better understanding description with general orientation towards firm performance rather than other classifications proposed in the literature among the most prominent models from Hofer and Schendel (1978), Miller and Friesen (1978) and Porter (1980).

Moreover, Miles and Snow typology continues its use for organizational design, change of response towards environmental conditions, and be strategic on firm's success. The 35-year old book was translated into several languages and cited more than 2000 times (Obel & Gurkov, 2013). Pearce and Zahra (1992) thought that Miles and Snow typology needs more organizational internal variables and future's further analysis consideration. Miles and Snow typology proposed that the effectiveness of any firm depends on how closely it resorts to any one of the ideal strategic types (Fontana & Zubaedah, 2012).

These strategies were proposed to be highly effective and equal to each other in firm's environment (Li, Advisors, Ramanujam & Hisrich, 2001). The existence of strategy integration research involves both formulation and implementation by Miles and Snow, who argued that the success of a defender, prospector, and analyzer or reactor depends on the organizational structure and competitive market (Miles & Snow, 1978). Theoretical arguments and empirical tests on several samples and dimensions resulted on extensive support, reliability, and validation (Carney, 2005; Hakala, 2011; Snow & Hambrick, 1980; Segev, 1987; Smith, Grimm, Chen & Gannon, 1989; Hambrick, 1983; De Sarbo et al., 2005).

At the same time, theoretical arguments and empirical tests were validated for small, medium, and large firms (Carney, 2005; Meijaard et al., 2005). The defender and prospector strategic archetypes were inspected broadly in the literature (Hambrick, 1983; Meyer, 1982; Miles et al., 1978; Snow & Hrebiniak, 1980), as they were the utmost distinguishable and the easiest to clarify and recognize, unlike analyzer and reactor's strategic orientations, where they had less attention.

The actual absence of attention on analyzer's orientation was related to complexity (Hambrick, 2003). This absence of effort was recognized not to put on central lenses that can simplify the characteristics of this orientation. The reactor's changeable behavior presents a complete different challenge due to inconsistency. This study makes a confirmatory look at the work of Miles and Snow (1978) in unconditional situation to understand family firm strategic orientation. As noted by Hambrick (2003), Miles and Snow typology has been the most enduring, scrutinized and used, as it has been subjected to numerous tests of its own.

DeSarbo et al. (2005) observed that it is suitable for all countries, where authors attribute the typology's longevity and excellence to its inherent thrift, industry's independent nature and to its correspondence with the actual strategic postures of firms across multiple industries and countries. This study investigates how the environment and strategic orientation affect family firm performance in uniqueness, danger, risk, uncertainty and inefficient environment of dynamism and hostility. Recent work on strategic management in family business indicated a need for such strategic orientation result (Lindow et al, 2012). In this study, strategic alignment or fit refers to the alignment between the independent variables of strategies, firm structure, environment and family influence. In strategic management manner, literature proposed that a successful organizational strategy and structure must align with external environment (Dess & Keats, 1987).

**2.6 Organizational Structure and Firm Performance**

Organizational structure (OS) refers to collaboration, specifying modes of coordination, allocating power and accountability, and prescribing levels of formality and complications (Miller et al., 1988). OS determines how the roles, power and responsibilities signed, controlled, and coordinated, and how information flows between the different levels of management. Earlier research proved the findings, where family firm is complex and smaller than non-family firms (Daily & Dollinger, 1993; Westhead & Cowling, 1996).

Organization structure, should be organized to enable the firm to use its' tangible and intangible resources of skills and capabilities, in which it is less formal in family firms, whereas the family influence is important to valuable the family firm organization(Rothaermel, 2013). Studies found that several family organizations use fewer official practices, not specialized or departmentalized and are less likely to have an HRM department besides having an imperfect organizational capabilities (Reid & Adams, 2001). Miles and Snow (2003) stated that optimal organizational structure should be equally clever enough in caring organizational management where it should be intelligent to create a managerial system and a structure that could easily direct and evaluate organization's up-to-date activities. Thus, firm's organizational structures with firmer family orientation have a tendency to be further centralized (i.e. fewer decentralized) regardless of firm's size and age, where family firm managers have a stronger favoritism to maintain its control over decision-making (Uhlaner & Meijaard, 2004). Centralization is an organizational factor, which links closely with corporate and entrepreneurial orientation as a function of work discretion (Goodale, Kuratko, Hornsby & Covin, 2011).

This study refers to the organizational structure concept in terms of centralization, which refers to the decision authority whether it is closely held by top managers or is delegated to middle or lower-level managers (Olson, Slater & Hult, 2005). Studies proposed that family influences methods of delegation on decision-making (Carney, 2005; Meijaard, Brand & Mosselman, 2005; Habbershon & Williams, 1999). More specifically, Hofer and Charan (1984) described family firm to have centralized organizational structures as decisional control is largely on the hands of family members (Tagiuri & Davis, 1996), where higher centralization places higher control in their hands.

Scholars raised the first arguments, where family influence on ownership and management might determine organizational structure. This preference has been described as involving a concentration of decision-making authority in the hands of the family. Goffee and Scase (1985) and Gomez-Mejia et al. (2003) highlighted that family firm are likely to centralize decision-making, where owner-managers are unwilling to weak their personal power and control. According to Chrisman et al. (2009), centralized decision-making provides family managers with desired authority and assuring control, whereby the managers are at authority on the top of organizational structure (Chu, 2011; Payne, 1984).

Centralized decision-making is rooted to keep control of a quick, efficient, and effective decision-making in family firms (Harris et al., 1994). Tagiuri and Davis (1996) indicated the feasibility of centralized decision-making for family firms owing to the simultaneous roles held by family members. Consequently, this enables the use of family's language, which enables more efficiency in communication and privacy. Jorissen et al. (2005) suggested that family firms have centralized decision-making due to the overlap of manager's role. Daily and Dollinger (1992) highlighted that family firm decision-making is more centralized due to more efficient informal channels of communication, with lower monitoring and cost control.

The discussions in terms of organizational structure have been raised and it might be influenced by the generation that controls the firm. Dyer (2006) found executive decisions to be likely centralized in family first-generation firm. Aronoff and Ward (1995), who found that the second and following generations are likely to be involved in player's management with parents, children and siblings in the firm, further advanced this. All are involved in the contribution of decision-making. Arguments have been raised, where family goals, norms, and culture determines the centralization of coordination and control. Accordingly, to Koiranen (2002), family values enormously affect the degree of business centralization versus decentralization.

Family has fewer financial goals compared to socio-emotion, sustainability goals and decisions, besides financial goals and decisions that relate to future and investment (Chrisman, Steier & Chua, 2008). Therefore, they are centralize operational decisions beside financial and strategic decisions, which was validated at different times in larger, medium and small firms in the US and Germany's family firms (Markides & Williamson, 1996). Lindow (2013) found that family chooses centralized financial decisions rather than operational decision regardless of finance and strategic goals.

Firm's structure rest on the objectives and strategy. In the centralized structure, the top managers do most of the decision, where they control the departments and divisions. In the decentralized structure, the executive power spreads between levels, where they have different grades of independence (BD, 2014). Simon (1979) defined OS as the outline of communication and relationship among a set of people, including the course of building and executing decisions. OS is very eminent, where the lack of decision-making structure knowledge affects firm performance negatively, and continues as an important topic in distinctive areas of management (Csaszar, 2012). Donaldson (2006) voiced that there is no single ideal on firm organizational structure because they distinct from one firm to another. It was conceptualized as the decision-making structure between groups of individuals (Csaszar, 2012).

Child (1972) stated that if the organizational structure is not modified to its situation, then prospects will lose, cost will increase, and the looking after of the organization will be endangered. Miles and Snow (1978) contended that interior structure fits the strategy if the alteration is fruitful. The SO of defenders, prospectors, analyzers, and reactors' firms have been related to unlike situations of organizational structure (Meier, O'Toole, Boyne, Walker & Andrews, 2010).

The concluding relationship between strategic orientation and organizational structure are mutual. The structure affects the strategy and the effect of it is the main discussion by scholars (Ogollah & Bolo, 2009). However, specific structures and environments in particular relates to strategies and environment, and the narrow or wide form of structure finds its effect on firm performance (Pavis et al., 2009). The studying of organization's centralized structured judgment in decision-making refers to whether decisions are authorized by top managers or is deputized to intermediate and lower-level managers, which is significant to understand the strategic orientation of the firm (Olson et al., 2005). The firm structure is also consequential to explain the ownership, involvement, and management, which in poor countries, there is a pyramidal firm structure to keep weak laws under control, and prevent idealistic ownership in rich countries (Morck & Yeung, 2003). Bartholomeusz and Tanewski (2005) proposed that a more centralized structure can help to implement the strategy, and this could affect the related research results of alignment on strategy and structure in different family organization.

Organizational structure besides strategy evidence and adaptation on the environment was proposed as a critical factor in influencing strategy implementation (Mauri & Michaels, 1998). Some scholars defined family business as an organization at different levels of centralization, while structure is the variable that defines family business (Sandig, Labadie, Saris & Mayordomo, 2006).

The second independent variable is organizational structure. In this manner, there are five primary aspects of organizational structure: specialization, standardization, formalization, centralization, and configuration (Pugh, Hickson, Hinings & Turner, 1968). Others think that it is not stable for specialization, formalization, and centralization to be the central construct for the analysis of organizational structure (Miller & Friesen, 1982b). In the same direction, there are three other structuring aspects such as administrative intensity, tall versus flat hierarchy, span of control, and size (Dalton, Todor, Spendolini, Fielding & Porter, 1980).

Concerning to the organizational structures in family firms, some evidence suggests them to be more centralized compared to non-family firms, and centralization points out to be the concentration of decision-making (Olson et al., 2005). For family firms, it was proposed that family influences the mode of delegation in decision-making (Carney, 2005). Some researchers recommended family firms to have centralized organizational structures (Chrisman, Bauerschmidt & Hofer, 1998). In that manner, decisions were controlled largely in the hands of family members (Rob Goffee & Scase, 1992), and by higher centralization places (Tagiuri & Davis, 1996). The arguments raised that family influence of ownership, and management could determine the organizational structure. Nevertheless, family owner-manager has strong preference to control mode. This preference was described as requiring a focus of decision-making authority in the hands of the family (Palmer & O'Kane, 2007). Geeraerts (1984) insured that family firm centralizes decisions, as owner-managers are willing to lessen their individual power and govern over the firm.

According to Chrisman et al. (2009), the centralization of decision-making provides family's manager with power, authority and increase the control. The evidence claimed by Miles and Snow (1984) is that successful firms can carry out strategic fit through their market, where it supports their strategic plan with suitable planned organizational structures and management's procedures and practices. It is the fact that decision-making centralization is going deep in the family's desire to keep control in a quick, efficient, and effective way in family firm (Sheridan, Harris & Woolf, 2004). Markides and Williamson (1996) proposed that family firms have centralized decision-making due to the interaction role of owner's manager. The strategy alone is not enough to generate superior performance. Thus, the firm must adopt a suitable organizational structure.

Erdem and Baser (2010) voiced that the existence of family business theorized co-president for the following generation, while the norms and culture could determine the centralization of coordination and control. According to Malinen (2004), family values affect the status of business decentralization versus centralization. Thus, values will prove what the family and business consider as consequential. The prominent values include the willingness to maintain control, independent, or succession.

Empirical indicators confirm that top family members maintained strict control over decision-making (Bartholomeusz & Tanewski, 2006). Furthermore, in an experimental study, family firms in which are primarily owner-managed showed significantly higher centralization (Feldbauer-Durstmüller, Duller & Greiling, 2012). Furthermore, it was found that based on an Australian's family firm sample on average showed a medium degree of delegation of authority or clan control (Craig & Moores, 2005). Garengo and Bititci (2007) found that in Scotland, SMEs that change in the organization structure model play a significant key role in improving business performance.

## 2.7 The Moderating Relationships

Moderator variables considered a subset of specification variables, as defined by Cambridge dictionary, which tries to help in adjusting the judgments. An arrangement factor is one that states the form or magnitude or both of the dealings between a predictor and a criterion factor (Rosenberg, 1968).

Agreeing with Sharma et al. (1981), there are two kinds of moderating factor with special effects. One factor effects the strength of relations between the independent predictor factor and the dependent criterion factor, while the other type adapts the form of relations such as varying the signal of the slope.

Sharma et al. (1981) also showed that moderator variable might consider a subset of particular variable, which specifies the form of extent or both relationship between predictor (IV) and criterion variable (DV) (Madden & Dillon, 1982). He also proposed a typology of specification in this manner, where it uses the connection between dependent criterion and independent predictor. The condition has an association with the dependent criterion or independent predictor variable. However, it does not act together with the independent predictor, as it denotes as an additional predictor.

There are three kinds of moderators (Sharma et al., 1981). One kind of moderator is an equalizer "homologiser" that upsets the strength of the association. The other two kinds, the "would-be" moderator and the clean "pure" moderator. Figure 2.3 presents these relationships.

The equalizer does not act with independent predictor variable, as it is not associated significantly with the independent predictor and dependent criterion variable. It stimulates the strong linkage point between independent predictor and dependent criterion variable. The second is the "would-be" mock moderators interrelate with independent predictor variable, and it connects to the dependent and independent variables or to one of them.

The third is the variable of pure moderating. It relates with independent predictor variable, but it does not correlate with the independent predictor and or with dependent criterion variable. The latter modifies the association form in the middle of the dependent criterion and the independent predictor variable.

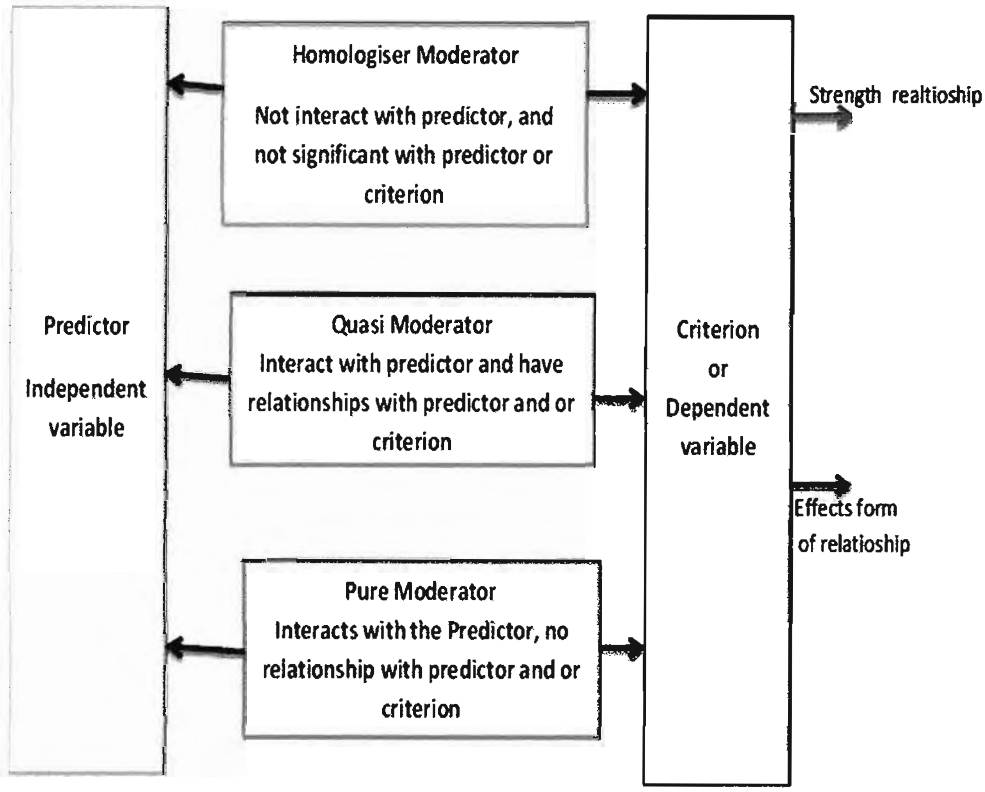


Figure 2.3
Moderators' Kinds and Relationship Affects
**Source:** Author depends on (Williams & Eliza, 1995; Sharma et al. 1981).

The intersecting of the family and business in the relationship with strategic orientation and environment hypothesized to develop family business performance (Bing & Zhengping, 2011). The study presented the discussion in terms of the interaction between the role of family and external environment as moderators with the business strategic orientation, and organizational structure decisions to reach the best performance.

### 2.7.1 Family Influence as a Moderator

Shanker and Astrachan (1996) placed three definitions on family organization construct based on the amount of family's effect on business, as in comprehensive, mid, and narrow definition. The comprehensive is the widest definition, where family obligates some degree of actual control on strategy courses, where business continues in the family. Family acts as an organ and is not in direct day-to-day switch with the business but it guides decision-making, possibly through significant ordinary proprietorship (Shanker & Astrachan, 1996).

Although family bussiness are well known in the world, however, there is no universal model on family's contribution (Adams & King, 1996). However, families can contribute to their firms through ownership, board of director's demonstration, family's chief executive captains and family's director (Chen, Gray & Nowland, 2011). Sirmon and Hitt (2003) argued that FBF is heterogeneous. Its performance depends on the degree of influence and indirect relationship. Again, the influence depends on the effect's involvements. Chen et al. (2011) showed that the "Heineken" family owned a maximum of possession interest of 22 out of a hundred in Heineken N.V. of the Netherlands. However, it has only a single board of leader's seat and it did not contribute any in management. In contrast, the "Hsu" family ensures a major ownership position of 7 out of hundred in "Far Eastern Textile Ltd" of Taiwan, but it controls all 14 board of directors' chairs, as well as the president and the CEO place besides the other 2 locations on top management.

This divergent of family participation in family business has been the focus of plentiful readings across finance and management writings. However, revisions showed that two or three of these methods involved family (Chen et al., 2011; Sciascia & Mazzola, 2008; Arregle, Hitt, Sirmon & Very, 2007). Recently, family influence received care from family business researchers (Pearson, Carr & Shaw, 2008; Sorenson, Goodpaster, Hedberg & Yu, 2009; Carr, Cole, Ring & Blettner, 2011). These studies identified that the family network and the interrelationship among family members as antecedents of the creation of organizational capital have positive outcomes for firm performance. Family influence provides an empirical support of validity and reliability, and it gained theoretical support (Chrisman, Chua & Sharma, 2003). It offers an excellent ground in developing family business performance (Koiranen, 2002).

Moreover, there is a great body of research investigating family effects on firm accomplishment (Miller et al., 2007). Relatively, fewer studies have been accompanied on the factors of family's contribution in family firms, where Gomez-Mejia, Larraza-Kintana and Makri (2003) requested to integrate more variables. With consideration towards ownership, families have opportunities on size and structure of their shares. Beforehand, researchers examined the ownership of big listed firms in the world originating the ownership constructions of family firms for being complex, where it involves two-sided class stocks, the cross-holdings and pyramid frameworks (Porta et al., 1999). Family has great voting or domination rights than their proprietorship or money flow (Porta et al., 1999).

Family influence on firm's performance was not consistent in different empirical studies. The study of 104 non-family ownerships and family ownership in USA found weak significant differences in growth and perceived performance when they compare family and non-family firm performance (Daily & Dollinger, 1992). In Spain, the comparison study between 81 families and non-family firms found that there was no difference in profitability, but family business was more efficient (Górriz & Fumás, 1996).

The same finding in UK on 146 families and non-family business showed no difference in size and growth performance index (Westhead & Cowling, 1997). In contrast, studies found that family influence can affect firm performance positively. In USA, 219 non-family ownerships and family ownerships organization found that family business are valuable and efficient (McConaugby, Matthews & Fialko, 2001).

A study on 171 Germans family organization found that family plays an important role in achieving strategic fit and good performance, and not a superior performance as the study hypothesized (Lindow et al., 2010). In an eastern country like Thailand, the comparison of 240 non-family ownerships and family ownerships found that family business is profitable (Yammeesri & Lodh, 2004). In China, 913 family business were investigated and it was found that CEOs relate positively to family's business performance, where a strong effect of family on the firm performance can be seen when it has a higher ownership or multiple large shareholders structure. Family influence makes the family firm unique (Sharma, 2004) when they are tied together (Pearson, Carr, & Shaw, 2008) and significantly affect firm's behavior (Chrisman, Chua & Sharma, 2003). Sacristán-Navarro, Gómez-Ansón and Cabeza-García (2011) found a direct influence of family firm on values.

Studies indicated a significant association between family influence and international strategy (Marchisio, Mazzola, Sciascia, Miles & Astrachan, 2010; Zahra, 2003), such as diversification strategy (Anderson & Reeb, 2003), marketing strategy (Miller, Breton-Miller & Lester, 2010), financial strategy (Kaehler, Busatto, Becker, Hansen & Santos, 2014), R&D strategy (Miller et al., 2010), and human resource management strategy (Gomez-Mejia et al., 2003). Rutherford et al. (2008) found that there were no direct association between family's effect and business accomplishment. They proposed that enlarged attend is needed for the use of family influence as moderating factor to show family's contribution effects strategic management of the firm.

Additional studies settled that the inconsistency of results from previous performance findings could narrate to the indirect and complexity relationship between family's power and firm is rendering (Chrisman et al., 2008). According to Sirmon, Arregle Hitt and Webb (2008), it seems that family's effect act as a moderator with the association between strategy and effectiveness in some circumstances. Empirical indicators related to the organizational structure, confirmed that top family members maintained a strict control over decision-making (Bartholomeusz & Tanewski, 2006). In addition, family firms, which are primarily owner-managed, showed significantly high centralization (Feldbauer-Durstmüller et al., 2012).

This study focuses on strategic orientation alignment within family firm of different environment, in terms of how it affects the family firm performance. The degree of family's effect in a business, which is a dominant topic in family business research (Chrisman, Chua & Sharma, 2005) influences the discussion of a wide collection of topics at several levels of analysis (Putnam, 1993), organizational (Leana & Van Buren, 1999), individual (Burt, 1992), and group (Oh, Chung & Labianca, 2004). Studies showed a positive affiliation between family's effect and family firm effectiveness (Anderson & Reeb, 2003). Faccio, Lang and Young (2001) stated that family firms have poor accomplishments due to the conflict that appears as a family tiring in managing an enterprise. It reinforces the old question, where it substitutes family members with more subjectivity, objectivity and skills (Levinson, 1971).

Moreover, this research focuses on family as a source of power to influence strategic management in increasing its performance. Astrachan et al. (2002), Breton-Miller and Miller (2009), and Sciascia and Mazzola (2008), confirmed that family influence in management is a key story describing family firm over non-family firm.

The need for a scale of measurement that takes into account the legal, political and economic discussion related to other cultures is achieved (Klein et al., 2005). Astrachan et al. (2002) proposed that family with power, experience, and culture standardize (F-PEC) measures family influence. It is a continuous scale of family participation refer to figure 2.4.

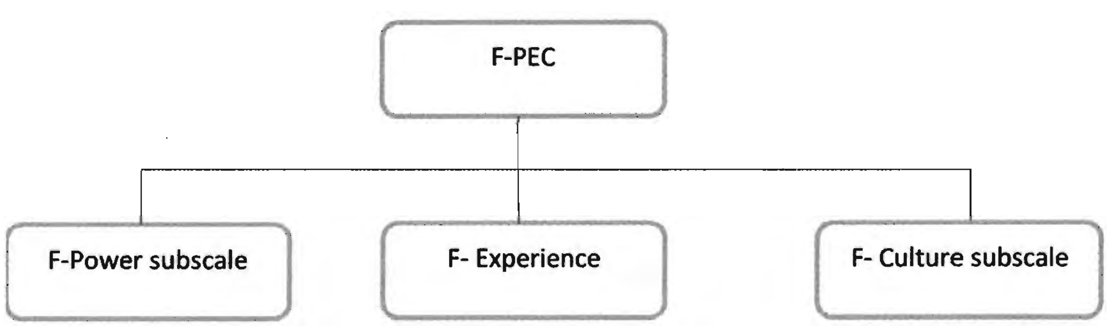


Figure 2.4
*The F-PEC Scale of the Family Influence*
**Source**: Author, based on (Astrachan et al., 2002; Klein et al. 2005)

The three sub-scales of family effect includes the power of family ownership, governance, and management. The F-PEC Power sub scale showed the level of all management will enable the family to fit their interests with those of the firm (Anderson & Reeb, 2003). Family influence in management ranges from 100 % to mixed management with inclusion of one or more non-family manager to a 100 % non-family management (Anderson & Reeb, 2003).

The guiding board is a governance body that overturns the important functions of firms in controlling or monitoring management performance, as well as advising and counseling (Astrachan et al., 2002). In family firms, supervisory board helps to prevent the conflicts of family members (Sciascia, Mazzola, Astrachan & Pieper, 2013). More family members in the governance body gives the family additional influence, where the family could be fully represented (only family members), partly represented (family and non-family members), or not represented (only non-family board members) (Bammens et al., 2008).

The participation of family generation is solitary of the actual important characteristics of family firms. The family business definition mentioned that family firm business would pass from one generation to another (Handler, 1994). In fact, the involvement of different generations provide family and firm with a valuable experience and skill, which enables the transitory on tacit managerial knowledge from one age group to the other (Bammens et al., 2008).

#### 2.7.1.2 Family Experience Influence

Family's generational involvement might be measured based on which generation owns, manages or supervises the firm, for example, founder, seconder, or later-generation firms (Astrachan & Jaskiewicz, 2008; Klein et al., 2005). However, the generation or total of energetic family membership related to the business also takes part in the experience, where the involvement of the wife, siblings, parents and children in the family firm is included (Vandewaerde, Voordeckers, Lambrechts & Bammens, 2011).

#### 2.7.1.3 Family Culture Influence

Organizational culture is referred to coherent pattern attitudes and values that are imperfectly imitable (Barney, 1991). The culture of family organization stated as a significant element of the family firm (Chrisman, Chua, Pearson & Barnett, 2012) because it has enormous weight and it sees the value as the foundation of a family firm culture (Roessl, 2005).

Family firm values explain the importance of family and their organization. The values reflected in the strategic preference can increase strong commitments towards companies' goals (Erdem & Baser, 2010). Consequently, family influence on culture has significant effects on aspects of culture. Moreover, scholars have identified positive effects of reducing misunderstanding and misinterpretation (Astrachan & Jaskiewicz, 2008).

### 2.7.2 External Environment as a Moderator

External environment states the situations, entities, actions, and issues surrounding the firm that effect its doings and selections, where it governs its prospects and risks (BD, 2014). In addition, scholars believed that organizations are organisms, opened and lives with appropriate relationship with the environment (Goudie, 2013). Scott

(1998) argued that firms are rational systems with natural unclosed characteristics. Equally important as open system, organizations are structures that exist to build relations with the environment (Gomes & Gomes, 2007).

In theories, scholars are interested on how a firm can convert its entity and behavior in order to face recent realities and needs. The main model in this category is the contingent, comparative structure, and transaction cost analysis (Gomes & Gomes, 2007). Child (1972b) argued that no organization operates in a vacuum, but it has relationships with environment. Salancik and Pfeffer (1978) suggested that organization depends on its environment because agents who belong to that environment own its need resources.

Miles and Snow viewed the environment as a heterogeneous object and a compound combination of features, as well as product and market situations, manufacturing customs, government recommendation, financial source, labor, and raw material availability. They are the components of unique effect on the organization that supports strategic type. Miles and Snow proposed that performance was top management's choice of organizational structure and strategies aligned with environmental conditions and process. Furthermore, in most the environment complex falls into the engineering, the entrepreneurial, and the administrative problems (Miles & Snow, 1978).

Scholars have introduced the notion of the three-circle model that will interact with the environment to outperform (Tagiuri & Davis, 1982). Family system consists of business, ownership systems and management. These three parts overlap to make a new balancing system (Tagiuri & Davis, 1982). Moores (2009) argued that family firm is an open-system model; where it is built on system's approach to organization. More writers have characterized today's business environment as highly changeable and unpredictable (Schmidheiny, 1992), which affect the priorities of business (Temtime, 2004). Such claims reflect an interest of understanding the different ways that organization can adapt to fast change the environments (Helfat et al., 2009).

To understand this situation, it is important to know how well the firm structures, and environment can persuade the amount of ownership and control, year of business beginning, business plans, and objectives (Boyer & Roth, 1978; McMahon & Stanger, 1995), family values (Storey, 1994) and kind of work (Carleton & Silberman, 1977).

The organizations faced important restraints and contingencies outside environments, and their competitiveness on their ability showed environments and adjustments towards their strategies (Boyd & Fulk, 1996). Strategic managing literature recommends that environment can be operationalized using two ideas, namely dynamism and hostility. Dynamism denotes as unstable and defined degree of variation of improvement in the manufacturing as well as the ambiguity or unpredictability of the activities of competitors and customers (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Thompson, 1967). Hostility distincts as the degree of danger to the firm postured by the strength of competition and falls, where it increases the organization's main industry (Khandwalla, 1973; Miller & Friesen, 1978).

In the organizational theory studies, scholars showed how firms interacted with the environment to moderate the relationship with performance (Bourgeois, 1980) and the influence of organizational environment (Wonglimpiyarat, 2005). Lawrence, Lorsch and Garrison (1967) explored integration and differentiation within and between business in stable environment and other business in dynamic instable environments. It was found that their objectives and strategies were different upon the environment (Bourgeois, 1985).

In the stable environment, they concentrated their strategy on innovation to fulfill the customer's needs and wants, while industries concentrated on product consistency and efficiency (DeSarbo et al., 2005). Many SMEs family organization had trouble in sharing international markets due to the lack of important resources, personal factors and political effects (Caldeira & Ward, 2003).

The literature on organizational environment reflects two main points that affect strategic orientation and decision-making (Achrol & Stern, 1988). They are the instability information that suggests the environment as the source of information (Tung, 1979) and resource dependence as environmental source (Salancik & Pfeffer, 1978). There are basic rationales urged to liberalize economy environment in developing market's attractiveness, efficiency, and performance (Greene & Butler, 1996). A harmonic advantage of the strategy model connects firm's strategic profile and its external context (Venkatraman & Prescott, 1990), where strategic orientation signifies performance implication (Venkatraman & Prescott, 1990).

Teece, Pisano and Shuen (1997) voiced that studies on management and owner's role in managing strategic orientations with external environment were done to understand the environment and make decisions suitable for both internal and external alignment. Correlation analysis was used to identify the link of specific characteristics on strategy making activity and dimensions of the environment among successful firms (Miller & Friesen, 1983).

Mintzberg (1973) defined strategy as a plan of passing resolutions, which concentrated on allocations of employed sources that were in effort to attain a level appropriate with organizational environment. The literature of strategy showed that it is a need to distinguish strategic orientations in order to take advantage of definite environmental sources and achieve a competitive advantage (Zahra & Covin, 1995).

Recent study on the U.S. industry showed that when managerial decision is relatively free, strategy is an important determinant of business performance (Venkatraman & Ramanujam, 1986). On the other hand, two main factors that affect the role and character of strategy in operating organizations in an environment are operational aspects of rules and the management of firm's interface, which includes political relations with exterior structure (Mahon & Murray, 1981). Researchers in structured economy showed that when administrative freehand is inadequate, then environment features the topic to managerial governor, which plays a core role in shaping organizational's accomplishment (Tan & Litsschert, 1994). Environment is deterministic and positioning it towards additional focused strategy will drive unrewarded (Young, Smith & Grimm, 1996).

In this study, we have put in operation environment using the dynamism and hostility hypotheses (Miller, 1987). The writings of strategic management revealed that environment can be operative using three hypotheses namely dynamism, complexity, and hostility (Lumpkin & Dess, 2001). Dynamism refers to uncertainty, where it has the degree of change in novelty in the industry as well as the uncertainty or unpredictability of the competitors and customers' activities (Burns & Stalker, 1961; Lawrence et al., 1967; Thompson, 1967). Dynamism links to the degree of unexpected change in firm's environment (Child, 1972). It decreases the manager's power to guess future events as well as their effects on the organizational effectiveness (Miles, Covin & Heeley, 2000).

Complexity denotes to various situations of differences in the firm's market that needs diversity in making and marketing approaches (Blau & Scott, 1972; Khandwalla, 1972; Porter, 1979). Khandwalla (1972) as well as Miller and Friesen (1978) drew the level of risk to the organization's disorder by the thickness of competition and the assumptions and cumulative of the firm's chief industry.

In a hostile environment, the strength of competition spreads more density on the firm. Thus, a better need for intersecting organizational actions is necessary to increase firm performance (Pfeffer & Leblebici, 1973). Some scholars have used the word munificence (Goll & Rasheed, 1997) to explore the opportunity to which environmental powers will support back the organization. This differs from environmental hostility. In this study, we have operational environment that uses dynamism and hostility constructions (Miller, 1987).

The environment formulation are largely reliable (Dess & Beard, 1984). The three expanses of munificence, complexity, and dynamism scope draws two normally used methods to conceptualize environments as they are the resource of information, and source of normal resources (Koberg, Uhlenbruck & Sarason, 1996). In essence, dynamism and complexity as moderators reflect the level of doubt that faces an organization, and the generosity signals the firm's requirement on environments for sources (Goll & Rasheed, 1997).

The environment was regarded as multi-dimensional context (Milliken, 1987). Conceptualization and experiential researchers have recognized several exact environmental facets, which comprise dynamism (Egeren & O'Connor, 1998), complexity (Sharfman & Dean, 1991), hostility and generosity (Kach, 2012; Miller & Friesen, 1982a). The orientations suggested a better consideration on the impact of separate environmental dimension on the creation and application of firm's strategy. These extents affect owners and top management's awareness of uncertainty, which in sequence can influence risk taking on the upcoming of the firm, prospectors and defensiveness (Miles & Snow, 1978). Furthermore, it also projected that the fit among strategic positioning and environmental dimensions would lead to a good organizational accomplishment (Olson et al., 2005; Venkatraman & Prescott, 1990).

Environment moderating title role has reflected one of the serious contingencies in organizational model and strategic managing (Child, 1972a). As shown, the family business performance is unreliable and questionable, where the strategic decision point of view suggests that strategy, structure, and process must fit environmental moderating position, as these settings could be adjusted over time (Child, 1997). The results of Slater and Narver (1994) showed an imperfect support relationship for a moderator role in competitive environment on market's alignment effectiveness. Nandakumar et al. (2010) found that environmental dynamism and hostility act as moderator in Miles and Snow's business strategy and in the competitive performance. The moderating environmental effect found a good support in Goll and Rasheed's (2004) study, where the results of moderated deterioration examination and subgroup's examination found a substantial moderate influence of environment on the societal relationship and firm's effectiveness.

Recent findings of Nandakumar et al. (2010) indicated that dynamism and hostility moderate the relation among business-level strategy and virtual competitiveness, where in both, the low-hostility environments were related to a cost-leadership strategy while the high-hostility environments were related to a differentiation strategy leading to a better performance compared with competitor's firm. Low environments of dynamism and the differentiation strategy are helpful in improving the firm's financial achievements (Nandakumar et al., 2010).

## 2.8 The Underpinning Theory

The subject of strategic management has continued the change over the world and over studies due to the uncertainty and dynamic change in firms and in its environment. Modern organizations do their business in fast alternation environments, which are hypercompetitive and unstable with direct and indirect relationships (Volberda, 1996). Consumer's priorities are changeful in industrial technology, despite the findings that supports the contingency, where strategy and structure leads to each other (Galan & Sanchez-Bueno, 2009). However, past and recent empirical studies showed that more than 70 % of organizations could not implement their initiative strategies (Miller, 2002; Cândido & Santos, 2015). The literature review has divided relevant studies depending on both the underpinning theory used in developing the hypotheses and the type of modelling. With regard to the underpinning theory used, strategic performance studies have used resource-based view theory besides contingency theory. Pertusa-Ortega, Molina-Azorín and Claver-Cortés (2010) explained firm performance, which validated theory's fund awareness in family business.

### 2.8.1 Resource-Based View Theory

Resource-based view (RBV) is a method to accomplish competitive advantage that was raised up in 1980s and 1990s, after the foremost working issues, "The Resource-Based View of the Firm" (Zikmund, 2003). RBV concentrates on firm's sources and abilities precised by the organization to investigate the value and profitability (Wernerfelt, 1984b; 1995). Unlike the old-style strategic view, Snow, Miles, and Miles (2005) thought that through the organization in terms of economic environment, RBV assumes that the firm outperforms competitors based on firm's specific resources and capabilities.

Resource was defined as tangible and intangible assets (Wernerfelt, 1995), and as inputs presented for firms in open markets to practice and adapt (Grant, 1991). It is serious to keep firm's specific capability to identify, advance and organize key resources to main essential competences due to the overall availability of resources

(Fahy, 2000). RBV assumed that the interaction of different resources, as well as direct and indirect capabilities between firms lead to hesitance in their competitive advantage, in which included resources as a forte or weakness of a specified firm (Wernerfelt, 1995). Thus, these differences in the organizational design and context variables could affect firm performance (Lawrence & Lorsch, 1967a).

RBV suggested the basis of how family firms vary from non-owned family, as well as the differences in the activities and performance among the people with dissimilar resource formation (Barney, 1991). Barney's work has been sustained by enlightening the relations among the family and private business that might lead to competitive advantages (Habbershon & Williams, 1999; Habbershon et al., 2003), whereas exact types of supply recognized that family firms might outstandingly have understanding (Sirmon & Hitt, 2003).

RBV as the main theory of strategic management (Barney, 2001b) confirms specific conditions that make family influence valuable or negative on firm performance. It includes the strategy and family influence subjected to contingent variables (Sharma, Aragón-Correa & Rueda-Manzanares, 2007; Aragon-Correa & Sharma, 2003).

The RBV of family firm proposed that competitive advantage is created uniquely and often distinguishes characteristics of family and firm, including the speed to market, the focus on niche's market, ownership structure, the family's name, patient's principal, generations transferring, external environments adoption, culture, experience, and power (Cabrera-Suárez et al., 2001; Klein et al., 2005). Moreover, family capabilities has demonstrated through external environment and relationship that enabled the firm to generate values (Chrisman et al., 2009). It persuaded that family organization behavior was interacted between culture, economic, value, law, business exercise, and the establishment of community environments over awhile of time at all stages of individuals, and groups linked to resources, abilities, and effectiveness (Colli, Perez & Rose, 2003). RBV suggested firms to survive as a result from firm's internal resources of value and beliefs and individuals' relationships, in which these resources are valuable, rare, inadequate imitable, and no interchangeable (Barney, 1991).

The family as a source of competitive advantage significantly affects resources (Klein et al., 2005). More accurately, studies modelling direct relations between family influence and firm performance offers mixed results. Previous studies discovered an inversely u-shaped relationship for the same set of variables (Anderson & Reeb, 2003; Andres, 2008). Still, studies showed a cubic relationship among family influence in ownership and market value (Abdullah et al., 2011; Ng, 2005). Some studies did not find significant relationships among family ownership and market value (Miller et al., 2007). According to the RBV, structural culture can be a strategic source that produces a supportable competitive advantage (Barney, 1986).

The emphasis on studying family's guidance and accomplishments on Swedish firms were contingent on the economical case of an industry. They created firms in high-margin industry to advantage significantly from family's headship in relation to firm's productivity and market valuation. Consequently, industry was shown to be an effective moderator for family influence on performed relationship (Randøy, Dibrell & Craig, 2009).

Furthermore, family context can provide a net of trust, and the effect of family sources can decrease business deal cost and portion of risks related to business. Moreover, family values and goals can lead towards divergence in the way family administration is managed (Winter, Danes, Koh, Fredericks, & Paul, 2004).

Recent research in Fortune *1000* organizations indicated that family influence does a difference in firm's innovation, performance, powerful entrepreneurial direction, intensive growth strategies, and more investments in firm's infrastructure (Miller, Breton-Miller & Lester, 2013; Miller et al., 2010). However, some limitations in RBV with family structure alone could not mark an exceptional competitive advantage and effectiveness for a business (Zahra, Hayton, Neubaum, Dibrell & Craig, 2008), while the complementary with other organizational and family resources can create value and performance (Chrisman, Chua & Litz, 2003). Capabilities should coordinate the necessity of the firm, where these requirements are determined by the structures of the environment in which the firm runs (Groff & Muth, 1972). The development of specific relationship between circumstances and quantitative conclusion making method leading to operational achievements have been continued (Luthans & Stewart, 1977).

Lindow (2013a) found that family affect moderated the relationship significantly among strategy, structure and firm rendering. Sharma et al. (1997) proposed that study gap has more confirmation and it should be driven to contingency factors, where studies could mark more evolution as it ascertains these contingencies and consider them of family-business studies.

### 2.8.2 Contingency Theory

The contingency theory invented by Joan Woodward (1958) acknowledged that fruitful organizations in uncommon industries with uncommon technologies are considered by changing organizational's structure. Dissimilar contingency methods were advanced in the late 1960s due to the wave of criticisms on classical theorists such as Weber's bureaucracy (Weber, 1946) and Taylor's scientific management approach (Taylor, 1911), which was unsuccessful because they ignored the effect of contingency factors, i.e. environment on management style and organizational structure.

The early literatures examined the different fields of strategic management related to firm performance. As an example, (Burns & Stalker, 1961) relationship with innovation (Lawrence et al., 1967), environment, strategic decisions and organization structure were examined. They introduced the effectiveness of organizational design, which fitted contingent factors and firm structure. The theory of contingency emphasized that organization must recognize and use a suitable organizational structure for the environment uncertainties in which they operate in order to be successful (Hambrick, 1981). In general, two types of theories referred as contingency theory are organizational structure and leadership theory. Contingency theories are modules of behavioral theory that argues on managing a firm successfully besides managing the organizational structure of the company. It refers to the firm's characteristics, culture, ownership, management, environment, technology, size, tasks and other new contingencies (Fry & Schellenberg, 1984). Moreover, the organizational style or leadership style that is effective in some locations or situations might not be effective in other environments (Earnhart et al., 2014). Therefore, the finest method to organize the organization is through the contingent situation of the internal and external state of the firm, where each theory leads to contingency theory. Dubin (1976) stated that each theory is contingency theory due to its hypotheses or interaction assumptions. It differs from other theories in the specific term of propositions, that the structure and process of an organization must fit its context if it is to survive or to be effective (Fry & Schellenberg, 1984). Relationship between two variables or more depends on the level of a third variable (Schoonhoven, 1981).

CT dominates organizational behavior studies on design and performance (Ven, Ganco & Hinings, 2013), and management strategy. They differ widely in subject problem, where they share hypotheses on the organizational conclusion which concludes such fit or match among two or more factors (Ven & Drazin, 1984) due to its worry on performance effects. CT is essential for the advance development of the management knowledge (Venkatraman, 1989). In CT, form external is needed to address the requirements of the environmental uncertainty with sound hiring decisions in order to survive and grow the firms (Kitchell, 1995). Definitely, it is the process of fitting the firm's structure into contingencies, which reveal the condition of the firm's effectiveness (Donaldson, 2001). It proposed that leading moderators addicted to the relationships could reduce the misleading, detailed and precise understanding of management's relationship (Campos et al., 2012; Rosenberg, 1968).

Thus, the accomplishment of the organization is the result of a fit or match between two or more factors. Therefore, there is no one best technique to accomplish the firm objectives as the preeminent way to be contingent on real cases, since the contingency factors (Galbraith & Nathanson, 1979). It is argued that organizations are systems with rational, natural, and open characteristics. Rational systems are organizations with a structure that seeks to achieve goals, while normal systems are units struggling to survive within its environment, whereas open system is the existing establishment that creates network with their environment (Scott, 1998).

Thompson found that environmental variables affect the organizations and is affected by the organization, external and internal environment. However, environment is not subjected to the direct control of management (Thompson, 1967). It is consistent with Burns and Stalker's findings, where organizations operating in stable environments are very diverse from those, and it has to facade towards change and dynamic setting environment (Burns & Stalker, 1961).

Contingency has indicated that organizations can enhance performance when its primary factors are correctly aligned (Naman & Slevin, 1993). That is the necessary introduction of the contingency theory, which recommends that alignment among factors such as industry circumstances, external environment situation, the organization structure situation, and organizational practices are acute for obtaining ideal performance (Lawrence & Lorsch, 1967b; Miles et al., 1978).

Alternatively, Donaldson (2001) defined contingency as any construct that moderates the influence of organizational achievement in performance. In this manner, there is an explicit agreement between school's environment (Mintzberg, 1973), school's design (Selznick, 1957) and strategies related to the structure (Chandler, 1962), where environment is the fundamental factor in the strategy execution process as organization can possibly be selected out (Ogollah & Bolo, 2009). The strategic alignment research concept stems from the opinion that the strategy relates to the effective fit of firm's sources as well as capabilities with environmental threats and opportunities (Bourgeois, 1985; Ginsberg & Venkatraman, 1985).

The normative orientation was used as an explicit linkage between co-alignment and firm performance (Venkatraman, 1990). Dynamic variation in companies as well in environment have changed the firm's accomplishment on strategic management related to structure (Snow et al., 2005). Theoretically, strategic orientation objective is to provide prominent suggestions to the decision makers to enable them to achieve the firm's goal while they meet the terms of environment opportunities and threats (Snow & Hambrick, 1980). The strategic theories in most are assert performance embodiment either implicitly or explicitly because the firm's achievement is the time to test any strategies (Schendel & Hofer, 1979), or the plan that maximizes organization's chief goals as well as policies and action cord into a cohesive approach (Quinn, 1980; Quinn & Strategy, 2013). Thompson and Strickland (1992) and Mintzberg (1994) saw strategy as a managerial achievement plan for goals' objectives.

In line with this research objectives, strategy was proposed as what organization employs to solve its entrepreneurial, engineering, and administrative problems, where the literature shows four types of strategies in the organization: defender, analyzer, prospector, and reactor (Miles & Snow, 1978). Although studies have investigated some of the strategic management variables, but today only a few studies have used Miles and Snow (1978) typology to measure the optimal performance in a complex interaction on the factors (Lindow, 2013b). A few studies have operationalized Miles and Snow's variables in a model integration that tested contingencies' relationship that was proposed in the theory (Ogollah & Bolo, 2009).

Furthermore, these review aims to prove a strategic orientation as well as estimate to what extent CT has been used as underlying theory in previous research (Ven & Drazin, 1984). The last fail in the international financial crises was revealed to the challenges of enterprise risk towards contingent ignoring situations (Salvioni & Astori, 2014). The environmental factors changes the effect of performance on markets and companies in the world.

Moreover, EIASM workshop (2010) highlighted a prospect neglect of the contingency's view in family firm research. It should be used in family business research models to explain the performance results (Royer et al., 2008) as a source of improvement in management (Dean & Bowen, 1994) for family firm sufficient performance (Lindow, 2013a), and to study organizational strategies and behaviors (Thomson, 2007). Meanwhile, studies of non-family firms have been investing the interaction effects of strategy and environment in the moderating relationship (Lumpkin & Brigham, 2011; Nandakumar et al., 2010). Besides, the relationships between strategy and organization structure (Miller & Toulouse, 1986) and the process of the organizational design (Slater et al., 2006a) in modern family and non-family organizations do their business in fast alternation environments, which are hypercompetitive and unstable (LiPuma et al., 2013), where consumers' priorities are changeful, and industrial technology is in modifying stage (Bhattacharya & Ravikumar, 2001).

Some literatures recognized the accomplishment of family organizational in markets as weak in emerging institutional environments (Bertrand & Zitouna, 2008) as well as in undeveloped marketplaces (Bhattacharya & Ravikumar, 2001), and good in poor stable law countries (Gilson, 2007). Nevertheless, in other family firm areas, constellation firms uses the contingent approach successfully. For example, Sharma (2002) outlined the contingency constellations in family firm types and governance techniques. Corbetta and Salvato (2004) has rationalised the idea of contingency in family firms, where it examines the family firms entrepreneurship behavior. Moreover, researchers of family firm studies have considered CT in strategies, succession and internationalization models (Corbetta & Salvato, 2004; Lindow, 2013).

A CT main model was proposed to the environmental effects on organization. It helps to understand the relationship between environment and organization interactions (Lawrence et al., 1967), firm behavior and environmental factors, as well as influencing organizational structure by external factors. It is difficult to separate organization from its environment. It is important to understand organizational behavior. The organization continues to keep moving and look for adaptation and fitting for survival (Hannan & Freeman, 1977). It is because no firm live in a vacuum (Child, 1973) to identify and develop the performance variables, including organizational design as it was used by Fiedler (1967) to demonstrate a contingent relationship between environmental variables, leadership styles and effectiveness.

A family's external environment context of cultural, legal, social, political, and economic can affect family firm performance significantly. The change in external environment over time can affect the variation and the development in family business organization (Winter et al., 2004). Strategies, abilities to be strategically flexible, stronger family commitment, and relationship with family's organization can be affected by environment and culture (Howorth & Ali, 2001; Zahra et al., 2008). Alike, Miller (1988) displayed that old-school strategies such as cost leadership is appropriate to stable the predictable environments, whereas new school of marketing differentiation, product innovation, and business strategies offer better understanding and outcomes under vigorous and uncertain environments. On the other hand, firms prefer retrenchment and adaptive strategies in hostile complex environments, where entrepreneurial strategies are fostered in simpler environments (Segev, 1987a).

Ellington, Jones and Deane's (1996) findings on the impact of strategic total quality management on performance showed that family business is less selected than counterparts are, while family firm performance is contingent on the strategic adopter group chosen. In reviewing 10 years of Spanish firm data between 1993 and 2003, it was found that strategy and structure lead to each other, and the linkage between strategy and environment affect firm performance significantly (Galan & Sanchez-Bueno, 2009). In addition, the narrowest entrepreneurial organizations faced more challenges in external environment, and needed more structure strength before failing (Davis, Eisenhardt & Bingham, 2009). In the UK, in 48 private firms, the environment moderates the relationship between strategy and structure (Banker, Potter & Srinivasan, 2000). Equally important, strategy and structure are negatively significant with hostility environment and are unrelated to firm performance (Grinyer et al., 1980), but they significantly relate to firm's performance (Venkatraman & Prescott, 1990).

Other researchers found that entrepreneurship orientation positively influence organizational growth in second-generation and pro-activeness strategy in first-generation, where family firm leads to little growth compared to second-generation of family organization (Casillas et al., 2010). Furthermore, Giovannini (2010) confirmed that contingent hypothesis in discovering the corporate governance structure in family firms must be adapted to the firm's precised environment to increase firm performance. Various studies have neglected particularly to consider contingency theory as the underlying theoretical point of view, but, so far, only two studies followed the contingency theoretic reasoning with respect to family firm performance (Casillas et al., 2010). The studies outcome examined the contingency relation, but it was irregular.

Generally, the debate of main difference between RBV and Contingency theory is the relationship of organizational structure and environmental conditions. The empirical studies supported both the contingency theory and the RBV (Pertusa-

Ortega et al., 2010). Strategy has a significant positive effect on both firm performance and organizational structure. Galan and Sanchez-Bueno (2009) supported the contingent approach, where the effect of strategy on structure is stronger than the structure effect on strategy.

Harris and Ruefli (2000) showed that organizations that carry out its own strategies with a fixed mode of structural modifications outperformed a stagnation organization that did not modify the strategy or structure. Moreover, the fix on structural modification outperformed organizations that modify their own strategy, but with their structure fixed. In turn, the RBV theory findings supported that strategy has positive important upsets on the firm's performance, though the indirect effect of organizational structure on firm performance is via competitive strategy. These results supported the hypothesis that organizational structure is valued as an important strategic source that influences the achievements of competitive advantage (Pertusa-Ortega et al., 2010). Therefore, both theories are important to explain the relationship and results from the comprehensive relationship in this study.

# CHAPTER THREE
# METHODOLOGY

## 3.1 Introduction

This chapter explores the methodological aspects of the present study. It provides the developed framework in accordance to theory and literature refereed in the previous chapter. Specifically this chapter covers the model of the study, hypothesis's development, research design, operational definitions, measurements of the variables, data collection procedures, sampling, and proposed techniques' of data analysis and pilot study.

## 3.2 Research Framework

There is an integration between the contingency theory and RBV in explaining the study variables. The contingency theory approach shows that performance is the result of aligning the firm characteristics with environment (Miller, 1983; Miles & Snow, 1978; Miller & Friesen, 1983). While RBV refers to the strategic resources that have a positive impact on a firm's performance (Barney, 1991) specifically it is postulated that there is a direct positive relationship between family effect and success (Matser, 2013). Both theories pointed out that the business performance depends on the firm's ability to adopt environment, strategy, and structure (Wiklund & Shepherd, 2005). In addition, the business performance depends on the interactions between external and internal variables of the business (Casillas, Moreno & Barbero, 2010)

The two theories accepted the assumption that family business is heterogeneous, and its performance depends on the overlapping between the firm, the family and management (Pertusa-Ortega et al., 2010; Tagiuri & Davis, 1992).

The alignment among strategy, structure, environment, family are the vital factors of family firm performance (Nag, Hambrick & Chen, 2007; O'Regan & Ghobadian, 2006). Therefore, family businesses need to acquire more knowledge about conditions of family business performance and the overlapping areas between family, business and ownership in different environments and contexts to initiative business strategic techniques (Zahra et al., 2011; Zahra, 2003; & Sharma, 2004).

The research framework is the main the requisite of a research structure (Uma & Roger, 2003). Based on the previous discussion, the measurement of family firm performance will comprise of both objectives and subjective. There are four dimensions of objective performance measurements namely sales, profit, return on assets (ROA), and return on expenditure (ROE). The first independent variable is Strategic Orientations refers to the pace of change to develop the firm performance is through strategic orientation. Thus, the fit between strategy and organizational structure, environment and process will increases firm performance. The second independent variable is the organizational structure, which refers to the ability of authority to take decisions in the firm.

Two moderators are introduced to the framework. Firstly, is the family influence where it is postulated that it effects a business through mderate relationship with strategy and firm organizational structure (Sirmon & Hitt, 2003), the level and quality of its rights, governance, and management participation. Secondly, is the external environment which is refers to environmental characteristics or belongings have major consequences for all features of management, including strategy, structures and process.

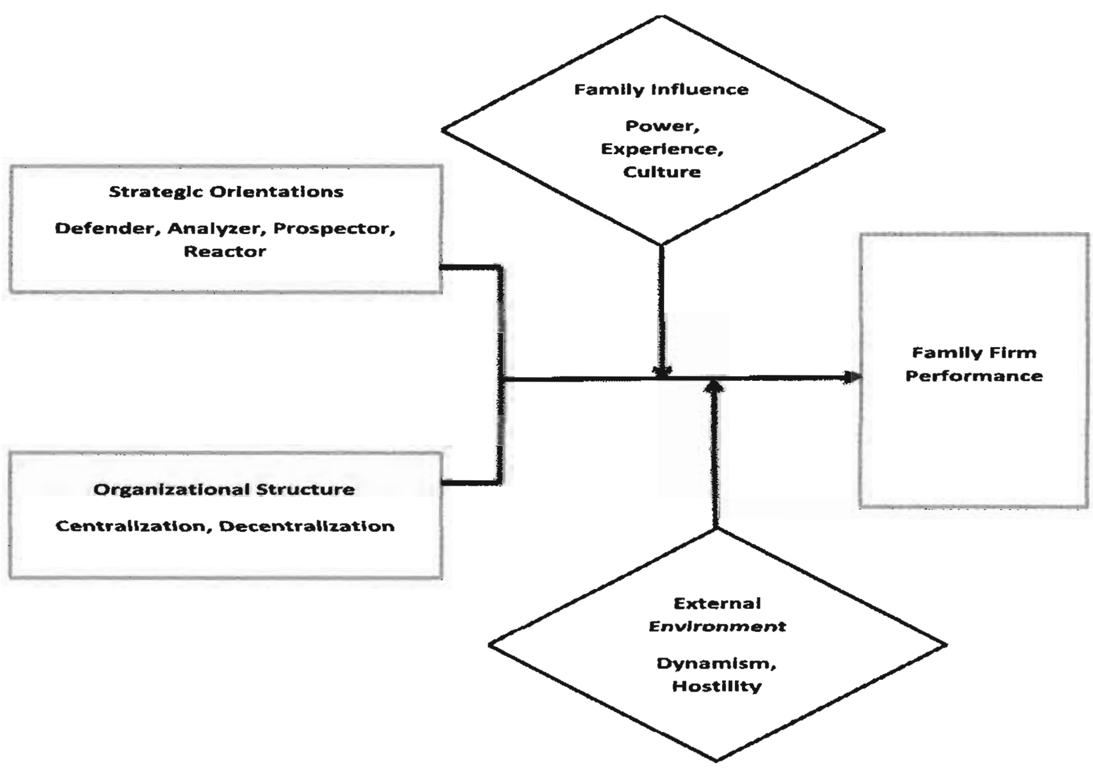


Figure 3.1
Framework of the Study

## 3.3 Hypotheses Development

Figure 3.2 present the hypotheses' framework of this study. The model shows that the relationship between strategic orientations and organization structure relationship with firm performance. The model affected by the moderators' interactions of external environment and family influence.

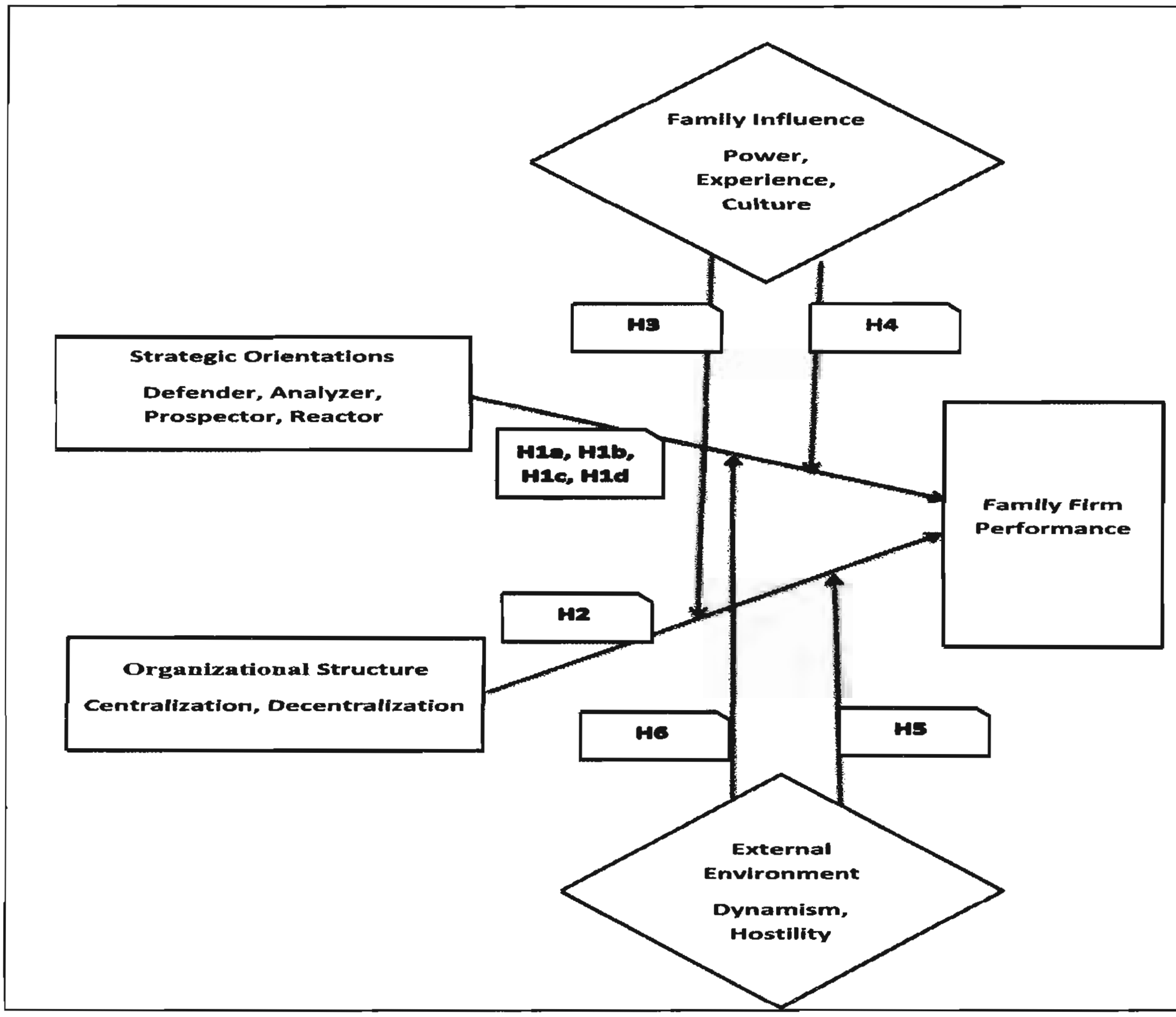


Figure 3.2
Hypotheses Framework

### 3.3.1 Relationships between Strategic Orientations and FFP

The need for strategic contingencies will increases in critical or in over dynamic environment changes (Child, 1997). The orientation of business strategy is aligned with the Miles and Snow (1978) typology. The model based on three major structures. (a) The four definitely strategic types occur within an industry (i.e., defenders, prospectors, analyzers, and reactors). (b) These strategies can, if using the appropriate organizational structuring mechanisms, adapting environment changes and needs is equally effective and will outperform reactors and (c) firms of different forms of strategic orientations will use unlike other techniques (Meier et al., 2010; Zahra & Pearce, 1990).

The Miles and Snow typology has been validated in different empirical studies in the U.S. public and private sectors, industry and service (Doty, Glick & Huber, 1993), UK small and medium electronic enterprising (O'Regan & Ghobadian, 2006), and in China electronic industry (Peng, Tan & Tong, 2004). It also investigated empirically in German family business (Lindow, 2013b). The validity and reliability by other researchers such as (Conant, Mokwa & Varadarajan, 1990; Jennings et al., 2003; Namiki, 1989; Sabherwal & Chan, 2001; Smith, Grimm et al., 1989); and (Al-Ansaari, Pervan & Xu, 2014; Lindow, 2013b; Shortell & Zajac, 1990). It showed that Miles and Snow typology is the most widespread contingent strategies because McDaniel and Kolari (1987) viewed organization as a comprehensive integrated classification in dynamic stimulus with their environment.

This model has been an extremely influential source for understanding both strategy and structure (Nag et al., 2007; O'Regan & Ghobadian, 2006). In addition, it is necessary to understand the organization's intent that translates the intent into company actions (Obel & Gurkov, 2013). The findings of studies supports the essential debate of Miles and Snow (1978). It is that prospectors firms, defenders firms, and analyzers firms accomplish better than reactors firms in different environments (Lindow, 2013b; Pleshko & Nickerson, 2008; Slater, Olson & Hult, 2006); and firms performed equally fine in terms of competence and were advanced than reactors (Miles & Snow, 1978; Snow & Hrebniak, 1980).

Empirically, Daily and Dollinger (1992) have identified an over-representation of family firms in the defenders' strategic type. They found significant relationships between strategic types in family versus professionally managed firms. Altindag and Zehir (2012) and Altindag et al., (2011) found that strategic orientations have positive effects on firm performance in Turkish family firms. Lumpkin and Dess (2001) showed that strategic orientations positively affect firm performance; some strategy like pro-activeness certainly affected while competitive aggressiveness has a poor effect.

The comparison between family owned and non-family owned firms showed that family firms are more efficient in strategies like prospector and leader strategies, but they are less efficient in other strategies like innovation. Casillas, Moreno & Barbero (2010) argued that the strategic orientations' has less effects on the first-generation, but have more effects on the second and third generation. Sharma, Chrisman and Chua, (2008) found that the alignments between strategies, organizational structure, and environment are immediate factors in firm performance. Aragón-Sánchez and Sánchez-Marín (2005) found that there is a significant relationship between defender and prospector strategies on SMEs performance in Spain. Teece et al. (1997) have found that strategy, structure; resources and environment have a significant relationship with firm performance.

The most notable characteristic of the defender type is its narrow and stable product-market-domain (Sabherwal & Chan, 2001). The defenders use to direct their products to this limited segment, the defender undertakes aggressive efforts. Rather, they grow through market penetration, not through market development (Miles et al., 2000; Miles & Snow, 2007). As a result, the defender always establishes a single core of technology that is inflexible suitable for all stages of production. They tend to specialize in routine products; they rarely need to adjust their technology, structure, or methods of operation; this strategic type organization structure required to be centralized in order to be highly effective (Miles & Snow, 2007). These organizations are operating in unstable, uncertain and turbulent environments by focusing heights of environmental monitoring to recognize fresh venturing interested in business and market prospects. This strategy needs more flexibility, decentralization decisions, organic and flat organizational structure and a high amount of power delegation near the lesser levels of organizations.

Oppositely, prospectors are the most dynamic of the four ideal types. This strategic type acts in a broad and dynamic product-market-domain (Miles & Snow, 2003). It searches to invent new products and market opportunities, they usually first to the market with modern product or service (Tamalee, Sulaiman & Ismail, 2008). It keeps up with changes; initiating changes frequently; new opportunities through monitor wide environmental conditions; use different flexible technologies for no routine products; product and market innovation and opportunities; high information processing; regular changes in technology; and high flexibility in all its operations

(Hambrick, 2003). This strategy relies on a decentralized decision-making in order to be highly effective (Miles & Snow, 2003).

Analyzer as stated by Miles et al. (1978) is a mixture combination or in between of the prospectors and the defenders, and it exist in along a field with the other two systems at every end. It practices together a strategy of taking less risk and seeks for new opportunities. Its possibility is a mix of new products and new markets few of which are stable, other unstable. It focuses on relatively steady environment as well as dynamic product-market domains. The analyzers tend to reproduce prospectors, to monitor it down the origin to undertaking new market, and to explore a cost reduction strategy. Therefore, it usually takes a two cores matrix: one represents the defender's routine function organization, and the second is the prospector's elastic level informal with high delegation of power. This strategy needs an intermediate centralized or mechanic organizational structure that allows the needful level of flexibility.

Finally, the reactor's strategy type of organizations characterized by both, the consistency in its essential parts and steadiness of behavior, the answer to changes in the environment (Jennings et al., 2003). Researchers argued that, in some certain environmental settings, reactor strategy is the only one that guarantees organizational sustainability (DeSarbo et al., 2005), and success (Smith & Grimm, 1987). As such, it depends on the literature, theory, and empirical studies; we expect the strategic independent variable's effect on firm performance will be as the following Table 3.1.

**Table 3.1**
*Dimensions of Strategy and Effects*

| The independent variable | of | Effect on firm performance | Theory and Empirical |
|---|---|---|---|
| **Strategic orientation** | | | (Sharma et al., 1997), (Zahra & Pearce, 1990), ( Lumpkin & Dess, 2001) (Lindow, 2013b) |
| **Defender** | High | + | (Zahra & Pearce, 1990). (Enticott & Walker, 2008; Miles et al., 2000; Miles & Snow, 2007) |
| **Analyzer** | High | + | (Zahra & Pearce, 1990). (Miles et al., 1978) |
| **Prospector** | High | + | (Zahra & Pearce, 1990) (Miles & Snow, 2003) |
| **Reactor** | Low | + | Researches argued that in certain environment sets, reactor approaches the only one that assurances administrative survival and achievement (Smith & Grimm, 1987; DeSarbo et al., 2005) |

**Source**: Author depends on theories and empirical studies.

The study proposes H1 as the main hypothesis and the H1a to H1d as sub-hypotheses in the following:

H1: The types of strategic orientations will positive effect the family firm performance (FFP).

H1a: The defender's strategy type will positively affect the FFP.

H1b: The analyzer's strategy type will positively affect the FFP.

H1c: The prospector's strategy type will positively affect the FFP.

H1d: The reactor's strategy type will positively affect the FFP.

### 3.3.2 Relationships between Organizational Structure and FFP

Organizational structure defined as an organization's interior style of dealings, authorities, and communication work (Walsh, 1995). There are five primary aspects of organizational structure. They are related to specialization; standardization; formalization; centralization; and configuration (Lunenburg, 2012; Pugh, Hickson, Hinings & Turner, 1968), while others think, it is not limited by main aspects of specialization; formalization; and centralization to be the central constructs to the analysis of organizational structure (Miller & Friesen, 1982b; Zheng, Yang & McLean, 2010). In the same direction, there are three structuring aspects such as administrative intensity, tall versus flat hierarchy, span of control, and size (Dalton, Todor, Spendolini, Fielding & Porter, 1980). Nandakumar et al. (2010) has provided a uniqueness among organic and mechanistic forms of structure in terms of duty, control, communication, organizational knowledge, governance, values and status.

In this study, the construct of centralization was the structuring dimension of interest that refers to the ability of authority to take decisions in the firm. These authorities are formal, come from ownership and the personal arising from knowledge or experience (James & Jones, 1976). Formal authority could be delegated to a greater or lesser extent, while personal authority cannot, thus in this study, formal type is applied. If decision- making is made at the upper hierarchical level, the structure is considered centralized, conversely, if the decision-making authority is greatly delegated to downwards to lower hierarchical levels, the organizational structure is seen to be decentralized (Brouthers et al., 2007).

Accordingly, decentralization and centralization are opposite extremes and firms can be found using of both (Olson & Terpstra, 1992).

In this manner, firms have a certain degree of centralization, which can be either high or more centralized, and low or more decentralized. In family firms, the influence of family is a form of delegating decision-making (Beatty & Talpade, 1994; Ibrahim et al., 2015). More specifically, family firm was described to have centralized organizational structures (Goffee, 1996). Family firms tend to centralize the decision-making process, as owner-managers are uninterested in reducing their individual power and control (Reynolds, Savage & Williams, 2000). In a similar vein, it was described that family manager as concentrating authority at the top of the family firm (Church, 1993).

Accordingly, centralization of decision-making can provide family managers with the desired authority and make high control over the firm, and it positively affected the family firm performance (Chrisman et al., 2012). Besides this fact of centralized decision-making, it enables too quick, efficient, and effective decision-making in family firms (Harris et al., 1994; Ibrahim et al., 2015).

The effects of family influence passed to non-financial decisions of socio emotional wealth, which refers to non-economic aspects, to increase privacy (Gomez-Mejia, Cruz, Berrone & De Castro, 2011). There is indirect relationship between structure and firm performance through strategy (Elderman et al., 2005). Okumos (2003) showed that organizational structure in its relationship of organizational structure influenced by strategy and environment significantly, and organizational structure is taking more time and more cost to reach its effects. Pertusa-Ortega et al. (2010) confirmed that the relationship between the adjusted organizational structure and firm performance is available. Kachaner, Stalk, & Bloch, (2012), confirm that family business organizational structures related positively with the firm performance, and are increasing family wealth in stable and in turbulent environments. Meier, et al. (2010) found mixed results of structure influences performance, which governed the environment. Chiyoge (2009) found a weak relationship between organizational structures with firm performances. It depends on the literature of theory and empirical studies; it is expected that the organizational structure effect on firm performance as stipulated in the following H2 hypotheses and in Table 3.2.

H2: The organizational structure decisions will positively affect the FFP.

**Table 3.2**
*Dimensions of the Organizational Structure*

| **The independent variable** | **of** | **Effect on firm performance** | **Theory and Empirical** |
|---|---|---|---|
| Organization structure | High | + | Different structure different results (Weigl, 2008) |
| Centralization | High | + | (Lindow, 2013b; Markides & Williamson, 1996) |
| Decentralization | Low | + | (Lindow, 2013b; Markides & Williamson, 1996) |

**Source**: Author depends on theories and empirical studies that mentioned in the table

### 3.3.3 Moderating Relationships of Family Influence

Family influence offers an excellent support of developing family business performance (Koiranen, 2002), and it gained theoretical support (Chrisman, Chua & Sharma, 2003). The family business performance, in the eastern country of Thailand, the comparison of 240 found that family business are more profitable, valuable depending on type and level of family ownership (Yammeesri & Lodh, 2004).

In another study among 913 family businesses in China, they found that CEOs positively related to family business performance indicating a strong effect of family on the firm performance. Furthermore, family influence makes the family firm unique (Sharma, 2004), family, and business are tied together (Pearson, Carr & Shaw, 2008); family significantly affect firm behavior (Chrisman, Chua & Sharma, 2003). The direct influence of a family firm on firm performance was found (Sacristán-Navarro, Gómez-Ansón & Cabeza-García, 2011).

The characteristics of family business is heterogeneous, and the performance depends on the degree of influence, and the contingent, indirect effect. Sharma et al. (2008) argued that inconclusive results of family influence on firm performance studies might relate to treating family influence as an antecedent in relationship with the business performance.

The consideration of family influence as moderating variable should be taken into considerations (Cliff & Jennings, 2005; Klein & Bell, 2007). In addition, the generation or number of active family members related to the business also participate in the experience; the involvement of the wife, siblings, parents and children in the family firm is included (Vandewaerde et al., 2011).

Consequently, family influence on culture has significant effects on aspects of culture, moreover, scholars has identified the positive effect of reduced misunderstanding and misinterpretation (Astrachan & Jaskiewicz, 2008). It depends on the previous literature and discussion, the family influence will moderate the relationship between strategic orientations and organizational structure; and family firm performance and the study propose the following hypothesis:

H3: Family Influence (FI) will moderate the relationship between the type of strategy and FFP.

H3a: Family influence (FI) will moderate the relationship between the type of defender' strategy and FFP.

H3b: Family influence (FI) will moderate the relationship between the type of analyzer' strategy and FFP.

H3c: Family influence will moderate the relationship between the type of prospector's strategy and FFP.

H3d: Family influence's will moderate the relationship between the type of reactor' strategy and FFP.

Overall, the more control power over the firm the further the family can pursue interests, and the control is a function of ownership (Dreux, 1990), so for the family is necessary to remain the largest owners. Anderson and Reeb (2003) support that family influence in management affects the firm interest directly in indirectly. In family firms, a supervisory board can significantly help to prevent the conflicts of family members, and increase family influence (Sciascia et al., 2013). Family board composition (Aragón-Sánchez & Sánchez-Marín, 2005), and board effectiveness (Craig, Dibrell & Davis, 2008) through strategy tasks (Bammens, Voordeckers & Van Gils, 2011) affect the family firm positively. Having more family members in the governance function gives the family additional influence (Bammens et al., 2008); effects on norms, skills, efforts, and task performance (Zattoni, Gnan & Huse, 2012).

H4: Family Influence will moderate the relationship between centralized organizational structure and FFP.

### 3.3.4 Moderating relationships of External Environment

Tosi & Slocum (1984) revealed that organizational environment is a main source of contingencies needs faced by a firm. Environmental properties have general implications for all manifestations of management; strategy, structures, and process. Theory and empirical evidence propose that different strategies are required in different environments (Homburg, Krohmer & Workman Jr, 1999). In addition, firms with different environments seek to change their firm organizational structure (Carney & Gedajlovic, 2002). Bloch et al. (2012) found that the family firm structure was successful significantly in different environment.

Some studies reveal that there is a close relationship between environment and strategy, and strategies are suitable for some environments (Ward et al., 1996). For example, cost leadership strategy is suitable for stable environment while differentiation strategy is recommended for dynamic and uncertain environment (Porter, 1980). Empirically, found that the relationship between high-free environments of management is significant with firm performance, but there is low difference in low-free environments (Haleblian & Finkelstein, 1993). The same, Finkelstein and Hambrick (1990) found that high-level management team size tenure is more strongly related to strategies and performance in high-free industries than in low-free industries. In their study of organizational growth in the semiconductor industry, Eisenhardt and Schoonhoven (1990) found that in environments that are simultaneously munificent and dynamic, managerial actions and decisions make the most difference.

In a condition of high environment uncertainty, it is more useful to employ good strategies that are based on well-planned activities and innovation (Marlin, Lamont & Hoffman, 1994). Furthermore, the organization's performance is completely depending on the strategy and environment fit, and the success is contingent upon industry environment's aspects (Mintzberg, 1973; Pelham & Lieb, 2004). Dess and Beard (1984) conceptualized three dimensions of environment that are munificence, complexity and dynamism. These dimensions deal with stock resources and sources of information; dynamism and complexity reflect the degree of uncertainty facing the organization, and munificence is a signal that the firm dependence on those environments for resources (Aldrich & Mindlin, 1978).

However, in this research we used dynamism and hostility consistent with Dess and Beard (1984). Dynamism is related to the rate of unpredictable change in firm's environment to predict the future, while the hostility is the intensity of competition for environmental of resources (Covin & Slevin, 1989; Zahra & Covin, 1995). In contrast to dynamism in hostile environment, the environment put more pressure of limited resources and extensive risk taking over the firm perusing the need for strategies adapted with the environment dynamics (Covin & Slevin, 1989; Miller & Friesen, 1983; Zahra & Covin, 1995). A previous study has tested competing theories, of how the relationship between rationality in strategic decision processes and firm performance be moderated by environmental dynamism. Results indicated a positive rationality-performance relationship for firms facing dynamic environments, but no relationship between rationality and performance for firms facing stable environments (Priem, Rasheed & Kotulic, 1995).

Studies found that environmental dynamism moderates the relationship between rationality and performance. Further, it found that rationality is strongly associated with performance in environments high in munificence and dynamism (Goll & Rasheed, 1997). Another study found that dynamism related to firm performance negatively (Baum & Wally, 2003).

Similarly, aggressive government intervention, technological changes, and fierce local rivalries all contribute to hostile international environments for U.S. firms' global expansion. Results of Zahra and Garvis showed that the payoff from international corporate entrepreneurship is moderated by executives' perceptions of the hostility of their firm's international business environment. However, the results compellingly suggest that there are upper limits to the potential gains a firm achieves from its aggressive when the worldwide environment in which it competes is hostile (Zahra & Garvis, 2000). Several authors advanced the moderating role of environmental dynamism in the rationality-performance relationship. For example, Miller and Friesen (1993) argued that the dynamic environment must be studied more carefully and diligently to afford executives with an adequate degree of mastery. The opponent of this view of point found empirically that the family firms are doing well and generate wealth in different stable and unstable environments (Bloch et al., 2012; Kachaner et al., 2012). It refers as the following Table 3.3 and hypotheses.

**Table 3.3**
*Dimensions of Environment*

| The independent variable increase | of | Effect on firm performance | Theory and Empirical |
|---|---|---|---|
| **Environment** | high | + | (Tosi & Slocum, 1984), (Fredrickson & Mitchell, 1984), |
| **Dynamism** | High | + | (Fredrickson, 1984), (Judge & Miller, 1991), (Priem et al., 1995) |
| **Hostility** | high | + | (Bloch et al., 2012; Kachaner et al., 2012) (Eisenhardt & Schoonhoven, 1996) |

**Source**: Author depends on theories and empirical studies.

The hypotheses H5 is to investigate the moderated effect of External Environment (EE) of dynamism and hostility on the relationship between (SO) and (FFP) in the following hypotheses:

H5a: The external environment will moderate the relationship between the type of defender's strategy and FFP.

H5b: The external environment will moderate the relationship between the type of analyzer's strategy and FFP.

H5c: The external environment will moderate the relationship between the type of prospector's strategy and FFP.

H5d: The external environment will moderate the relationship between the type of reactor's strategic orientation and FFP.

Empirically, the environment has been used as moderator in different studies related to strategic management and structure (Goll & Rasheed, 1997; Lumpkin & Dess, 2001; Nandakumar et al., 2010). It depends on the literature of theory and empirical studies; we postulate that the external environment would moderate the relationship between centralized and decentralized organizational structure independent variables in the family firm and its performance. The following hypotheses H6a and H6b will investigate the external environment (EE) ability to moderate the relationship between the centralized and decentralized organizational structure (OS) and family fir performance (FFP).

H6: External environment will moderate the relationship between centralized organizational structure and FFP.

The following table 3.4 summarizes the research questions, objectives and hypotheses as came in search

**Table 3.4**
*Overview of Research Questions, Objectives, and Hypotheses*

| Research Questions | Research Objectives | Main Hypotheses |
|---|---|---|
| Is there a positive relationship between SO and FFP? | To examine the positive relationship between SO and FFP. | H1: There is a significant relationship between SO and FFP. |
| Is there a positive relationship between OS and FFP? | To examine the positive relationship between OS and FFP. | H2: There is a significant relationship between OS and FFP. |
| Is FI moderate the relationship between SO and FFP? | To examine the moderating effect of FI relationship between SO and FFP | H3: FI moderates the relationship between SO and FFP. |
| Is FI moderate the relationship between OS and FFP? | To examine the moderating effect of FI relationship between OS and FFP. | H4: FI moderates the relationship between OS and FFP. |
| Does the EE moderate the relationship between SO and FFP? | To examine the moderating effect of EE relationship between SO and FFP. | H5: EE moderates the relationship between SO and FFP. |
| Does the EE moderate the relationship between OS and FFP? | To examine the moderating effect of EE relationship between OS and FFP. | H6: EE moderates the relationship between OS and FFP. |

**Source:** Author, Strategic Orientation (SO); Organizational Structure (OS); Family Influence (FI); External Environment (EE); Firm Performance (FP)

### 3.4 Research Design

The research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information (Sekaran & Bougie, 2003) There are three nature of research in business studies namely explanatory, descriptive and causal hypothesis testing (Sekaran & Bougie, 2003). The selection of study type depends on understanding the research problem.

The study adopts a cross sectional quantitative study design using the questionnaire to gather the data to meet the research objectives (Sekaran & Bougie, 2003). A cross-sectional study is the simplest variety of descriptive or observational epidemiology that can be conducted for representing sample of a population and it aims to describe the relationship between variables (Babbie, 2013). Previous studies on family business performance have adapted the cross-sectional study (Lindow et al., 2010).

The questionnaire is measured using a five-point Likert scale divided into six sections, and it consisted of ninety-six questions, section one has the general characteristics, and it consists of nine questions. Section 2 consists of eight demographic questions while the third section consists of fifteen questions measuring FFP. The owners was asked to choose one of the five-point Likert scales about their perception concerning their FFP in terms of sales, profit, return on equity, return on assets, and how they perceive these firm performance in relation to the firms' objectives and comparative to their competitors in the last three years of 2012, 2013, and 2014. The fourth section comprises of sixteen questions regarding the defender, analyzer, prospector, and reactor strategies section 5 measures organizational strategy using nineteen statements. Twenty-six items pertaining family influence in section 5 and external environment effect on FFP over the past three years in section 6 measure the moderators.

The research design also has incorporated control variables namely firm size, firm age, and industry types (Murphy et al., 1996). These controls were most commonly included in studies adapting the firm performance of family firms (Anderson & Reeb, 2003). First, firm sixe postulated that positively influence firm performance

(Klein et al., 2005). Secondly, firm age is expected to affect firm performance either positively or negatively depending on the experience (Fitzsimmons, 2013). Regards to industry structure, sector heterogeneity in environments might affect firm performance, due to differences in the level of business risk, competition in the sector, or industry standards (Cockburn & Henderson, 2000).

## 3.5 Operationalization of the Variables

The term operational definition refers to a precise statement of how a conceptual variable turned into a measured variable. In the following, the study explains how the study variables used in the previous studies.

### 3.5.1 Family Firm Performance

The dependent variable is the family firm performance; in this study, we used the multidimensional performance measure subjective and objective instead of one. It refers to family organization effective performance in terms of financial and perceived performance compared with the organization's objectives, and to competitors' achievements.

In this research an evaluation was conducted from a sum of sectors before concluding that both objective and subjective methods are needed (Akan et al., 2006; Spanos and Lioukas, 2001; White et al., 2003). Some researches like Lukas et al. (2001), Powell and Dent-Micallef (1997), Venkatraman, and Ramanujam (1986) support the appropriateness of subjective measures as opposed to objective ones when the research is a multi-sectoral one. Objective measures could expose variances in firm performance, which are related only to the industry and not to actual variances amongst firms. With the works of Govindarajan (1988); Lee and Miller (1996); Pelham and Wilson (1996) as a justification, this study assesses the family firm performance using six substances on a five-point Likert scale that firms assessed for three years compared to its highest known competitors.

### 3.5.2 Operational of Strategic Orientations

Miles and Snow (1978) argued that firm performance is a task of management strategy, firm characteristics, and the environment. They propose that strategy's influence on firm accomplishment will be utmost when internal and external aspects are in alignment. To conclude, as is accurate for the model by Miles and Snow (Hambrick, 1980). Strategy can also be measured by typologies that arrange for an overall profile of a given strategic type (Miles & Snow, 1978). In addition, despite its limitations, the paragraph approach adaptation has been broadly used as a meter of strategic types by both management studies that employed Miles and Snow's (1978) typology self-typing descriptor approach included, e.g., (Avci, Madanoglu, & Okumus, 2011; James & Hatten, 1995; Shortell & Zajac, 1990; Slater & Olson, 2000; Smith, Guthrie, & Chen, 1986; Zahra & Pearce, 1990).

In addition, family firm scholars' studies besides Daily & Dollinger, (1991, 1992, 1993), and other studies that employed Miles and Snow's (1978) strategic typology, and the self-typing descriptor approach include (Aragón-Sánchez & Sánchez-Marín, 2005; Lindow, 2013; Lindow, Stubner, & Wulf, 2010; McCann III, Leon-Guerrero, & Haley Jr, 2001). Scholars (Conant, Mokwa, & Varadarajan, 1990; James &

Hatten, 1995; Shortell & Zajac, 1990; Segev, 1987) have demonstrated them to yield valid results.

The strategy model by Miles and Snow, (1978) was an adapted depend on three major introductions, using the four known strategies in industry of defender, prospector, analyzer, and reactor; different of strategies, environment required different structure; and using one of these strategies aligned with structure and environment, the firm outperformed other firms persuading reactor strategy (Snow et al., 2005). Defenders' organizations take the conservative assessment of new-product improvement. They naturally compete on pricing and product quality rather than on new markets or goods, and switch to their main business with a emphasis on developing efficiency. In the defender strategy, the firm directs its products and services to a limited segment of the market, so it is aggressive towards protect its market and product in its domain, for example, through more efforts in technology efficient. It is not searching for new markets, and it has a single core of technology (Miles & Snow, 2003). Prospectors' organizations concentrate on innovation besides exploring new markets as well as services. They are frequently creators and number one in their industry. It is almost opposite of defender strategy. It acts in an abroad dynamic market product domain, maintaining the change frequently; monitor environmental conditions, trends, and events; use different non standardized technology, product and market innovation; and it is flexible in its operations and work in unstable environment; it requires decentralized organizational structure (Miles & Snow, 1978, 2003).

The analyzer strategy was described as a half-breed of defender and prospector. Analyzers' firms represent a middle type, sharing features of mutually prospector and defender. Analyzers carefully monitor the activities of their competitors, evaluate their works, and adapts their strategies thus. Its workings are in two fields of product and market that one is steady, and the other is dynamic environment. For example, it concentrates on a product at the same time it looks for new market, so it persuades the moderate centralized organizational structure (Miles & Snow, 2003).

In reactors' organizations, top managers normally perceive transformation and insecurity in their environments, which usually lack a real strategy. A reactor firm waits for prompts or commands from influential stakeholders in their environment. The reactor strategy is described as of lacking a clear strategy. It aggressively defend its products and attack other markets. Its decisions are depending in actions of external environment such as competitors or economic development. It is lacking of consistent in organizational structure (Miles & Snow, 1978, 2003).

According to (Snow & Hambrick, 1980) at least four alternative measure of business strategy: textual description, parts, multivariate, and typology. Finally, as is true for the model by Miles and Snow (Hambrick, 1980). Strategy can also be measured by typologies, which provide an "overall profile of a given strategic type (Miles & Snow, 1978).

They used four strategic measurement methods in literature. They are self-typing; investigator influence; external assessment; and objective indicators (Conant, Mokwa, & Varadarajan, 1990). The study has adapted the multi-item, close-ended scale, which a firm's strategy followed to the decision defender, prospector, analyzer, and reactor types are contingent based on multi-item (Likert's type) scales developed to measure each of the four strategy types (Conant *et al.*, 1990). The questionnaire included items asking respondents to identify, which of four strategies of defender, analyzer, prospector, and reactor best described the firm's present strategy. In our study, we use this approach of self–typing modified the multi item approach five-point Likert type scale. It allows more dimensions to be captured, adapted from (Lindow, 2013; Segev, 1987a), where Miles and Snow (1978) typology were mentioned. It is also modified from the previous questionnaire used by (Lindow et al., 2010).

The foregoing descriptions in which were adopted from preceding studies and slightly reworded to meet levels of understanding of the participants (Hrebiniak & Snow, 1982). Based on the resulting five-points Likert scale strategy variable variables were subsequently created corresponding to each strategic type: defender, prospector, analyzer, and reactor (Hrebiniak & Snow, 1982; Segev, 1987b).

The part number four in the questionnaire has four sub parts of dimensions, using five-point Likert scale. One does not suit my firm at all; Two characteristics did not suit my firm; three. Somewhat suit my firm, four Suits my firm, and five Suits my firm to a very high degree; it is consistent with (Segev, 1987). The first sub part 4 consists of four questions for each to measure the four strategies consistent with Miles and Snow, (1978).

### 3.5.3 Operational of Organizational Structure

The main feature of organizational structure that Miles and Snow (1978) discuss is the degree of centralization and decentralization and its relationships with strategic orientations. It was proposed as administrative control of the organization. The managerial problem included the operational or management works, financial decisions as set rationalization, and strategic decisions as development of organizational structure and policy processes. It was validated by Conant et al. (1990) as decentralization and centralization decision's scales from 1 to 11 as part of a multi item scale for measuring strategic types.

In general, researchers have relied on two measurement approaches to assess the structure of the organization. First is the institution approach that relies on organizational documents and personal interviews. The second is the questionnaire approach that relies on questionnaire response and the two ways are not interchangeable (Ford, 1979).

Accordingly, it is crucial for researchers to choose one or the other. In our research design, we employed the questionnaire approach. There are different operational definitions of centralization exist with respect to the questionnaire way. For example, a single scale on centralization involves ten scale items (Pugh & Hinings, 1976). The items of the scale address different ranges of decisions, including subjects such as finance, labor relationship, and quality. Another example was used and developed by was proposed by (Hill, Hitt & Hoskisson, 1992).

In this study, we use Markides and Williamson scale because it has three dimensions of operational decisions, financial decisions, and strategic decisions (Markides & Williamson, 1996), it was used before in US and German firms to measure internal control of the family firm (Lindow et al., 2010; Markides & Williamson, 1996).

This questionnaire reflects the day today decisions, it is suitable for small, medium, and large sized firms (Markides & Williamson, 1996). The constructs were measured on a five-point Likert-type scale anchored by 1 strongly disagree with the decision that made the top level of management, this mean that there is a delegation to the lower level and decentralization decision. However, if the answer above three to five this means the decision is very independent decision-making or centralization? Hence, the higher the scale index, the more centralized the family firm's respective decision-making.

### 3.5.4 Operational of Family Influence

F-PEC scale was developed to measure family influence continuously across three separate dimensions: family power, experience, and culture (Astrachan et al. 2002; Klein et al. 2005). The multidimensional approach of the F-PEC scale seems to give it numerous important benefits over most other methods that have been used to operationalize the family firm constructs. Firstly, the F-PEC scale is the most-recent approach to address essential definition concerns such as multi dimensions and continuity. It enables to measure the impact of the family across these dimensions on outcomes such as strategy, organizational structure, environment, and firm performance. Secondly, the dimensions of the family influence scale dimensions can be either considered separately or combined as independent, dependent, or moderating variables (Astrakhan et al. 2002; Cliff & Jennings, 2005). Moreover, the F-PEC scale was validated in different regional contexts empirically (Holt, Rutherford & Kuratko, 2010; Klein et al., 2005b; Rutherford & Kuratko, 2008).

The F-PEC scale has received broad acceptance from the scholars in family business community. It was described as the scale that brings together the key family-linked contingency extents suggested by preceding works, and it offers a persuasive view of variables touching family firms' performance and performance (Corbetta & Salvato, 2004). Rutherford and Kuratko (2008) think it enjoys the exceptional capability to measure degrees of family involvement in a given firm, rather than using different categorization that has been criticized by family business researchers; Sharma (2004) proposed that this scale is ready-to-use measure for assessing the degree of family impact on the business firm. Klein et al. (2005) proposed that a family could effect a business by the extent and value of its management involvement, ownership and governance (Klein et al., 2005). The family influence through power experience culture and it is concentrated in the (F-PEC) to measure family influence. It is a continuous scale of family effects (Astrachan et al., 2002).

The questionnaire measured the family influence variable, and it consists of three sub section; they are power, experience and culture. Firstly, it begins with the power questions, which are used five-point Likert scale; the power questions consist of twelve questions for three categories. First, they cover the ownership held by family. The second category is related to measuring how family members are active in managing and supervising the firm. The third category is related to the board of directors or supervisory. It is adapted and modified depends on (Klein et al., 2005) and modified (Astrachan et al., 2002). Secondly, the sub scale of experience questions, they are to measure how strongly family members are active in managing and supervising the firm using their experience to influence the firm performance. The sub section of experience consists of five questions of generation participation, and members of family involved in business.

### 3.5.5 Operational of External Environment

Although the fit of strategy and environment is a vital object in the Miles and Snow model, it obtains less consideration than the fit of strategy and internal structures. Indeed, they claim that firms must finish all phases of the "adaptive round" effectively – bring into line strategy with the environment and the internal "administrative structure" – in order to attain effective performance. Researchers followed Burns and Stalker (1961) in debating that an organic structure is necessary in the environment of uncertainty, while a mechanistic structure is proper in the expectable and stable environment. This operationalized environment using the dynamism and hostility constructs (Miller, 1987).

Environmental dynamism was measured operationally depends on frequency of change of five-point scale: very view to be very frequent, with six questions and six questions of high unpredictable to high predictable of change with seven-point scale (Achrol & Stern, 1988). The study used dynamism scale that was used in the recent study in 2010 by (Nandakumar et al., 2010); it was adapted from (Miller, 1987).

It has used the five-point scale Likert related to production and technology, and the rate of innovation and research and development in five questions. Hostility scales look at the changing in market activities of the main competitors; it was used in the same study. It has used the seven-point scale Likert of seven questions-related market activities (Nandakumar et al., 2010).

However, they modified to be five-point scale rather than seven to be consistent with the study measurements, because five it does not make a difference in mean and results, because studies found that five and seven produced the same mean score as each other (Dawes, 2008), refers to the Appendix A.

### 3.5.6 Controls Variables

Scholars have highlighted that studies need to include controls for demographic differences between family firms when examining aspects such as strategy, organizational structure, environment and firm performance (Jorissen, Laveren, Martens, & Reheul, 2005). Moreover, it was argued that the performance could be explained by the effect of fit on performance and these need to be controlled in the research design (Donaldson, 2001).

Related to business strategy, strategic types by Miles and Snow proposed to be independent of industry (Zahra & Pearce, 1990). Empirically, Strategies appear to be related to the firm size, where it was shown that analyzers are primarily larger firms, whereas reactors are mostly small firms (Smith, Guthrie, & Chen, 1989). The researchers' arguments stayed based on the requirements of high environment complexity for the analyzers and on the failure of most reactors to grow, and they have shown that the prospectors and defenders' firm sizes found between those of the analyzer and reactors.

In common, firm size was suggested as one of the firm determinants to affect the organizational structure, as this variable has been connected with the managerial habits and norms (Miller, Dröge, & Toulouse, 1988). For instance, small organizations have simple and flat structures with the owner-manager at the center of all decision-making and authority, while big organizations have more decentralized structures (Miller, 1986). It is also necessary for organizational chart staff divisions. For example, the stratus numbered in the structure be contingent on firm size, it is fluctuating from one to four with the majority of small organizations ensuring one of fewer than 21employees and two for organizations of less than 100 employees and with the majority of medium-sized firms ensuring three categorized layers of least 500 employees (Aral & Weill, 2007). Likewise, the fact that a bigger size is related to a higher capacity of decision-making (Goffee & Scase, 1985). Finally, empirical research indicated a negative relationship between size and centralization (Baack & Cullen, 1994).

Moreover, the firm size, the firm age, and the industry type proposed to influence objective firm performance (Murphy, Trailer, & Hill, 1996). These controls remained most frequently included in studies adapting the family firm performance (Anderson & Reeb, 2003). Firstly, firm size as it reveals the availability of economies of scale and diseconomies of scale and may form obstacles to entry may confidently influence firm performance (Klein, Astrachan, & Smyrnios, 2005). Secondly, organization's age may influences firm performance negatively or positively, that rises over time experience (Fitzsimmons, 2013). Respect to industry type, the heterogeneity of industry in different environments could affect firm performance, due to fluctuations concerning, the capacity of industry risk, competition in the industry, or industry criterions (Cockburn, & Henderson, 2000).

Regards, to detail to subjective performance measures, preceding research is distributed in studies that used controls with industry, and those that did not (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). In consistence with previous literature, this study will include controls when considering relation performance versus competitors. On the additional, with relation performance versus specific objectives, as completely actuality an intra-firm rather than inter firm standard, no controls were included for this performance measure.

Accordingly, measures of firm's size, firm's age, and industry's type were supplementary to the model to control the firm and industry effects. Firm's size was measured by the number of workers, which is one of the utmost communal methods of determining the firm size in family firm research (Chrisman, Chua, & Kellermanns, 2009). The firm age was measured by the total of years, begins from the time the firm founding base year 2012. Industry type was measured using the classification of the related to industry, Palestinian central Bureau of Statistics, which distinguishes firms into four industry groups, they are agriculture, industrial activities; whole sale, retail and repairs; also services (PCBS, 2014). This classification was used in the questionnaire allowing multiple answer choices.

We adapted the control variable questions in the general firm characteristics in section one in the questionnaire. It consists of four questions. The first question is in which year your firm founded. The second is question is to measure the firm size asking how many employees did your firm have in 2012, 2013 and 2014 as choices. The third question is to measure the industry type, in which industry is your business active. This question followed by choices related to seven of sub industries. The respondents have to tick beside the family business industry.

### 3.6 Measurements of the Variables / Instrumentation

The questionnaire was considered as one of the most appropriate data collection instruments for scientific researches (Kumar & Phrommathed, 2005). A structured questionnaire of closed-ended questions was used. The adapted questionnaire measures the moderated effect of family influence (power; experience; culture) and external environment (dynamism; hostility) on the relationships between strategic orientations (defender; analyzer; prospector; reactor) aligned organizational structure (centralization; decentralization) and family firm performance (financial and non-financial).

The questionnaire was considered one of the most appropriate data collection instruments for scientific researches (Kumar & Phrommathed, 2005). A structured questionnaire of closed-ended questions was used. In this study, we used nominal and five-point Likert scale. The questionnaire designed in this study consists of six main sections in the following Table 3.5 shows the study measurements that used in the questionnaire:

**Table 3.5**
*Measurements Scales of the Study*

| Variable | Dimensions | Total number of items | Scale | Sources |
|---|---|---|---|---|
| Demographic | Having a strategy<br>Firm age<br>Firm size<br>Ownership<br>Industry, type, change<br>Financial returns: sales, assets, ROA, profit | 1<br><br>1<br>1<br>1<br>3<br>1 | Nominal: Age company year base 2012<br>No of people employed year base 2012, 2013, 2014<br>trade sector 0 = No , 1 = Yes trade, service sector 0= No service, 1 = Yes service, manufacturing 0 = No, 1 = Yes, agriculture 0 = No, 1 = Yes | (Chrisman, Chua, & Kellermanns, 2009). |
| Strategy (IV) | Defender<br>Analyzer<br>Prospector<br>Reactor | 4<br>4<br>4<br>4 | Likert scale 1 = characteristics does not suit my firm at all – 5 = Characteristics suit my firm to a very high degree | (Miles & Snow, 1978)<br>(Markides & Williamson, 1996) (Lidow et al., 2010) |
| Organizational structure (IV) (Centralization, Decentralization) | Operative<br>Financial<br>Strategically | 10<br>5<br>4 | Likert-scale 1=strongly disagree - 5= strongly agree | (Klein et al., 2005) |
| Family Influence (IV,MOD) | Power<br>Experience<br>Culture | 5<br>8<br>13 | Likert-scale 1= strongly disagree - 5 = strongly agree. | (Klein, Astrachan, & Smyrnios, 2005). and modified (Astrachan, Klein, & Smyrnios, 2002) p. 49 |
| Environment (IV, MOD) | Dynamism<br><br>Hostile | 5<br>7 | Likert scale 1 = Remained the same 5 = Changed very much, Likert scale 1 Strongly disagree - 5 strongly agree, Likert-scale 1 = strongly disagree -5 = strongly agree | (Nandakumar, Ghobadian, & O'Regan, 2010) |

**Source:** Author

### 3.6.1 Validation of the Instrument

In addition, a questionnaire pre-test was prepared to insure appropriateness of the questions and eliminate confusion, which is necessary to the reliability and validity especially in the case of questionnaire translation from language to language (Alwin & Krosnick, 1991). This pre-test particularly mattered because the original questionnaire was developed in English language and later will be translated to Arabic language (Salant & Dillman, 1994). A pre-test is conducted to get the feedback to adjust and improve data collection, and the techniques used in analyzing data. The pre-test test always will enable researchers to conduct a testing before real data collection, moreover, it helps to determine and improve the validity and reliability of the construct. In some instances the pre-test also allows researchers to anticipate the challenges during data collection for the actual study (William Zikmund, Babin, Carr & Griffin, 2012). The adapted instrument was found to be valid as it was used multiple times in family firm strategic studies by Klein (2000); Lindow (2013b); and Nandakumar et al. (2010).

### 3.6.2 Sources of Data

There are two sources for data collection namely primary and secondary data. While the primary data depends on the questionnaire that the owners of the firms, who are the key of strategies and management in family firms will respond (Chua et al., 1999). The secondary data was gathered from publications of journals, textbooks, newspapers, and from Palestinian institutions and ministries, depend on the registrations, and Palestinian Central Bureau of Statistics (PCBS, 2012).

The shortage of official databases on Palestinian family firms in Palestine and elsewhere creates difficulty for collecting data (Sabri, 2008). Reliable data and information on family firms are difficult to obtain. More specifically, public information is unreliable because family firms are mostly privately held and have no legal obligation to reveal information. Therefore, the survey approach for collecting primary data is most widely used in family firm research (Newby, Watson & Woodliff, 2003).

### 3.6.3 Unit of Analysis

The element of analysis is a major entity that is being studied in a study. It donates to 'what' or 'who' that is being studied. In social knowledge research, distinctive units of analysis contain the individuals as the most common beside social organizations, and social artifacts sets. The unit of analysis definition is the first step in determining how you will analyze the data. The element unit of analysis is whom or what that you are analyzing for your study. In some cases, scholars use the individual; in others, they use a group, or even a full program. It is different from your to unit of observation. It is conceivable to analyze data in numerous ways (Trochim, 2006). Tendencies and guidelines in the expansion of strategic management in family dealings, researchers have varied on which the firm or the family ought to be the unit of analysis (Chrisman et al., 2005). Whereas family firm owner was chosen as the target population and unit of analysis (Royall, 1970) of this study. This unit of analysis was used mainly in family business performance empirical studies, i.e. (Nandakumar et al., 2010).

### 3.6.4 Sample and Sampling Techniques

This step of the research process consists of the population and sampling, which are connected to each other, and complementary in this research.

#### 3.6.4.1 The Population

According to Zikmund (2012), the population setting is a whole group of exact population elements relevant to research project. In focus, Palestinian family firms were the optimal of a national population because family firms are considered a significant and important part of the Palestinian economy (Sabri, 2008).

In Palestine, family firms represent more 90 % of more than 131 thousand of businesses. More than 87 thousand concentrated in West Bank, 79 % their focus is in the main cities. More than 35 % has accounting and financial system. More than 43 % has strategies (PCBS, 2011c), and registered by the Federation of Palestinian Chambers of Commerce, Industry and Agriculture and by the Ministry of Economics (PCBS, 2013; Sabri, 2008).

The area of the study will the West Bank in Palestine, while Gaza and part of Jerusalem (Al-Quds) is not included, because it is impossible for Palestinians from the West Bank to enter these areas without Israeli permissions since 1993 (Smeirat, 2013). Since the population, size consists of family firms that has more than five employees, in any industry, and should have a strategy. The population is somewhat large (40869 firms), therefore data collection from the entire population was neither reasonable nor economic, and affects the accuracy of results (Asthana & Bhushan, 2007). The population consists of Palestinian firms that have their own strategies, which represent 43% of businesses depends on 2009 statistics (PCBS, 2009). The following table 3.1 explains the population overview.

**Table 3.6**
*Overview of the Population*

| Total firms | Private sector 90.6% | Family business 90% | Family Firms In West Bank 67.9% |
|---|---|---|---|
| 131730 | 126461 | 113814 | 87523 |

**Source:** Author depends on PCBS (2013). 37 634 firms of the sectors + 3235 of agriculture sector (40 869 = 43% have strategies).

The study will concentrate on family businesses that are small, medium and large from all sectors. For definitions in Palestine, the small business is the business that employs 5-19 persons; the medium employs 20-49 persons, and the large firms employ more than 50 persons (Atyani, 2009). While the (PCBS, 2012; Arab Industrial Development and Mining Organization, 2015) have on the number of employees in the operational definition: The Small enterprise of 6-19 employees, using invested capital of less than US$ 15.000. The medium enterprises, which employs 20-49 with invested capital between US$ 15.000 – US$ 25.000. In addition to the large firms that employ more than 50 employees. Furthermore, the study focuses on the number of employees to be representative (Asthana & Bhushan, 2007). Because of macroeconomic and financial systems, changes between countries may affect family firm performance data (Frankel, Montgomery, Friedman & Gertler, 1991), this study chooses to depend on a national rather than a multinational population.

### 3.6.4.2 The Sample Size

In view of this fact, this study relied on a sampling, i.e., the selection of a few respondents from the population (Cooper, Schindler & Sun, 2006). In the process of selecting, the sample to be representative several aspects had to be taken into account (Black, 1999). Firstly, there are no way to directly identify all firms in the population, because official national databases of all family firms do not exist, but depends on (Sabri, 2008) "we can conclude that the Palestinian private sector is mainly family business, and it is applied to all sectors, including the industrial sector". By law, Palestinian private sectors have to make registration in the Ministry of Economics and in the Federation of Palestinian Chambers of Commerce and Industry (FPCCI, 2014).

Accordingly, firm addresses were identified from a registered list of company names provided by Federation of Palestinian Chambers of Commerce, Industry and Agriculture, an association of business firms in Palestine that have 18 branches in main cities. A total of target population of 95044, where out of them only 40869 family firm have strategies, and have contributed to 55 % of the country's GDP. Referring to the Krejcie & Morgan table for determining sample size from a given population the sample will be around 380 respondents.

Krejcie & Morgan (1970) shows that the sample which could have been constructed using the following formula.

$s = X\ 2NP\ (1 - P) \div d\ 2\ (N - 1) + X\ 2P\ (1 - P).$

s = required sample size.

Where,

$X2$ = the table value of chi-square for 1 degree of freedom at the desired confidence level, $X2 = (3.841)$.

N = the population size.

P = the population proportion (assumed to be 0.5 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

The continually growing essential for a representative statistical sample in experiential investigation has generated the demand for an effective technique of decisive sample size. Krejcie & Morgan (1970) derived a table for influential sample size for a specified population for easy orientation refers to appendix B.

The disproportionate random sampling techniques used for this research. The stratified random sampling is appropriate for the study, as shown by Sekaran and Bougie (2003). It implies a process of categorization, followed the selection of subject from each layer using random procedures. Hair et al. (2003) showed that the disproportionate stratified selection depend on two ways; one is choosing the elements from each stratum according to its relative importance in the population. It is usually depended on practical consideration such as the economic importance of various strata without considering the size of the stratum relative to overall sample size; the second is choosing the elements from each stratum according to the variability in each stratum, the more variability the more sample size. The respondent is owner / manager of a family firms depend on determining sample size for research. Stratified sampling is valid, that was used in studying the interaction effects of strategy, structure and environment on student performance in Texas school in the US through testing Miles and Snow theory (1978), using seven layers depends upon the numbers and its effect relationship on student performance (Meier, O'Toole, Boyne, Walker & Andrews, 2010). The population size is 40869 family firms. The sample is stratified random sample of 380 family businesses depends on determining sample size for research activities (Krejcie & Morgan, 1970). The Palestinian GDP of 6.80 billion US dollars in 2012. The GDP value of Palestine represents 0.01 % of the world economy. GDP in Palestine averaged 4.41 USD Billion from 1994 until 2012, reaching an all-time high of 6.80 USD Billion in 2012 and a record low of 3.04 USD Billion in 1994 (The Guardian, 2013).

Moreover, the stratified random sampling advantage is no bias that one person would be chosen over another; at the same time, the person's choice does not bias the researcher against the choice of another. The stratified consists of four layers; its total contribution is 73.3 % of the GDP. They are Agriculture, Forestry and fishing that contribute is 5.9 % of total GDP, followed by Mining, manufacturing, electricity and water contributes by 13.1 % of the GDP, then wholesale and retail trade, repair of motor vehicles and motorcycles contributes 15.4 % of the GDP. The last layer is the services, which contribute of 38.9 % of GDP (PCBS, 2013).

The study adjusted the sharing number in each sample depends on homogeneity (Bryman and Bell, 2007). Because of the greater or less homogeneity among the members of the population, it was necessary to adjust the number of the stratus to represent the population, the less homogeneity is the less number to represent the stratus and vice versa (Bryman and Bell, 2007).

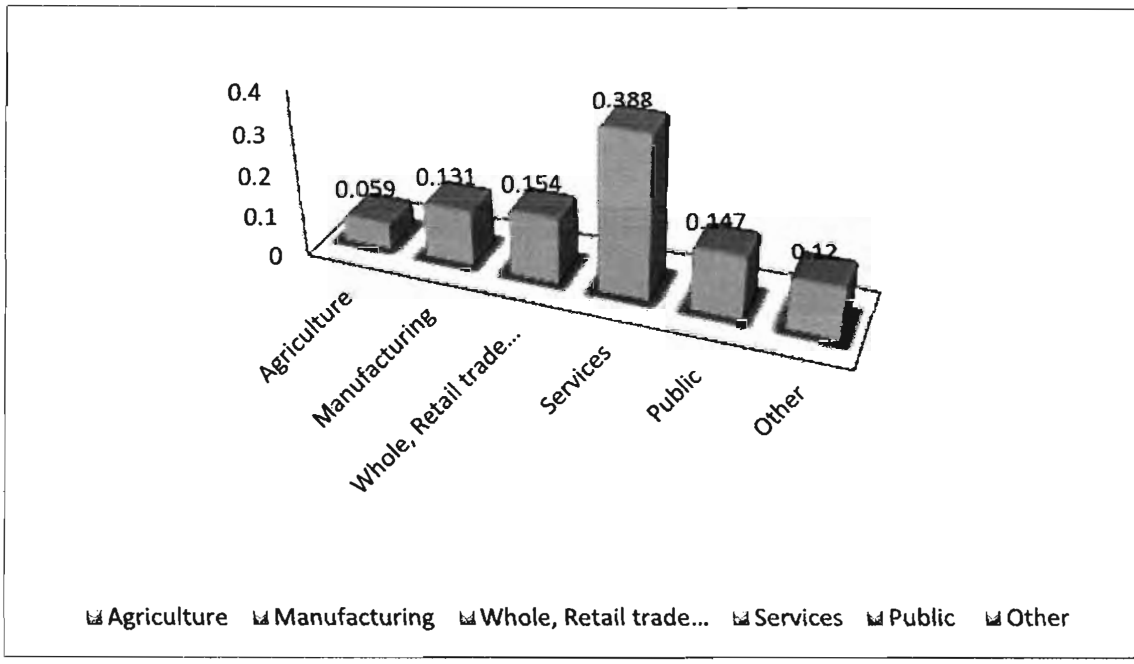


Figure 3.3
Percentage Contribution of Industries Sectors in GDP in Palestine.

In this study, the sample change justification is that service sector has less number of firms (9298) but it has more heterogeneity which is consists of twelve layers. So increasing the sample respondents is important to be representative.

Therefore, it adjusted from 89 to 116 respondents. It was opposite for the wholesale and retail trade, repair of motor vehicles and motorcycles of 22128 firms with five layers, but fewer heterogeneities, which adjusted from 205 to 116. Mining, manufacturing, electricity and water, which consists of four layers, which are fewer heterogeneities, so it increased from 56 to 116. In addition, Agriculture, forestry and fishing increased to 32 respondents, which fewer heterogeneities. The following table 3.7 show the sample selection method.

Table 3.7
*Disproportionate Stratified Random Sample*

| Economic Activity | Firms of strategic Plan | Stratus percentage | Disproportionate sample number |
|---|---|---|---|
| Agriculture, forestry and fishing | 3234 | 3243 / 40869 (0.0791) | 32 |
| Mining, manufacturing, electricity and water<br>▪ Mining and quarrying<br>▪ Manufacturing<br>▪ Electricity, gas, steam and air conditioning supply<br>▪ Water supply, sewerage, waste management and remediation activities<br>▪ Construction | 6096 | 6096 / 40869 (0.1491) | 56 adjusted to 116 |
| Wholesale and retail trade, repair of motor vehicles and motorcycles | 22128 | 22128 / 40869 (0.5414) | 205adjusted to 116 |
| Services<br>▪ Accommodation and food service activities<br>▪ Real estate activities<br>▪ Professional, scientific and technical activities<br>▪ Administrative and support service activities<br>▪ Education<br>▪ Human health and social work activities<br>▪ Arts, entertainment and recreation<br>▪ Other service activities<br>▪ Transportation and storage<br>▪ Financial and insurance activities<br>▪ Information and communication | 9298 | 9298 / 40869 (0.2273) | 89 adjusted to 116 |
| Total | 40869 | 100% | 380 |

**Source:** Author depend PCBS, (2012), and on Krejcie & Morgan, (1970).

Stratified random sampling involves in classified representative elements into strata followed by selecting the elements from each stratum using simple randomly procedures (Sekaran & Bougie, 2003). It depends on selecting a sample randomly from the sampling frame (Sekaran, 2003). The random selection can be reached manually using random number table through on line number generator (L'Ecuyer, 1998), or by computer software SPSS version 20. The total number of agricultural firms is 8357 out of them 90% are family firms; 43% out of them have a strategy (PCBS, 2009). That show total Palestinian firms are 131730, and 90.6% are private (126461), and 90% are family business firms (113814) from them 67.9% are family business firms in the West Bank (87523) firms.

### 3.7 Pilot Study

The pilot study is undertaken to determine the reliability and validity of the adapted measurements (Flynn, Sakakibara, Schroeder, Bates & Flynn, 1990). This is considered necessary because the original scales that have been adapted in the present study were developed in for other context (Klein et al., 2005; Lindow, 2013b). Following Baker and Risley (1994) and Diamantopoulos and Siguaw (2006) suggested procedures a total of 100 surveys were sent out to qualified owners from Bethlehem and Hebron cities, however, only 85 percent replied.

The PLS (SEM) path modeling was used (Wold, 1974; 1985) and smart PLS 2.0 M3 software (Ringle, Wende & Will, 2005) was used to ascertain the internal consistency reliability and discriminant validity of the constructs used in the pilot study. Specifically, the PLS Algorithm (Geladi & Kowalski, 1986) was calculated to obtain the average variance extracted and the composite reliability coefficients.

Bagozzi and Yi (1988) as well as Hair et al. (2011) suggested that the composite reliability coefficient should be at least .70 or more while Fornell and Larcker (1981) suggested that the Average Variance Extracted (AVE) score should be 0.5 or more. They further stated that to achieve adequate discriminant validity, the square root of the AVE should greater than the correlations among latent constructs.The table 3.8 presents the average variance extracted and composite reliability coefficients of the seven latent constructs.

Table 3.8
*Reliability and Validity of Constructs (n=85)*

| | **NO of indicators** | **AVE** | **Composite Reliability** |
|---|---|---|---|
| Defender | 4 | 0.67 | 0.856 |
| Analyzer | 4 | 0.65 | 0.844 |
| Prospector | 4 | 0.68 | 0.866 |
| Reactor | 4 | 0.50 | 0.753 |
| Organizational structure | 10 | 0.56 | 0.959 |
| Family influence | 26 | 0.50 | 0.932 |
| External environment | 12 | 0.54 | 0.785 |
| Family Firm performance | 12 | 0.51 | 0.939 |

As indicated in Table 3.8, the composite reliability coefficient of each latent construct ranged from 0.75 to 0.93, each exceeding the minimum acceptable level of 0.70, which suggests adequate internal consistency reliability of the measures used in the pilot study (Bagozzi & Yi, 1988; Hair et al., 2011).

Likewise, as indicated in Table 3.8, the values of the average variances extracted range between 0.51 and 0.68, suggesting acceptable values. Regarding the discriminant validity, Table 3.9 compares the correlations among the latent constructs with the square root of AVE.

Table 3.9
*The average Variance of Discriminant Validity*

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| 1. Analyzer | **0.81** | | | | | | | |
| 2. Defender | -0.0073 | **0.82** | | | | | | |
| 3. EE | -0.2041 | 0.3351 | **0.73** | | | | | |
| 4. FI | 0.0301 | 0.1556 | 0.1432 | **0.71** | | | | |
| 5. FFP | -0.2303 | 0.3121 | 0.4398 | 0.1033 | **0.72** | | | |
| 6. Prospector | -0.0623 | 0.2523 | 0.4166 | 0.167 | 0.262 | **0.83** | | |
| 7. Reactor | 0.5111 | 0.0811 | -0.0523 | 0.1368 | -0.2065 | 0.0208 | **0.71** | |
| 8. OS | 0.1722 | 0.2203 | 0.1492 | 0.282 | 0.0948 | 0.0208 | 0.161 | **0.75** |

Note: FFP = Family Firm Performance, SO = Strategic Orientation, OS=Organization Structure, FI=Family Influence, EE=External Environment, OS= Organizational Structure

The correlations between the latent constructs in a match with the square root of the mean variances extracted (values in the bold face) were all much larger than the correlations among latent constructs, suggestive of adequate for discriminant validity (Fornell & Larcker, 1981).

### 3.7.1 Data Collection Procedures

Data collected through two different approaches; firstly, the secondary data was gathered from Palestinian institutions and ministries, depending on the registrations, and Palestinian Central Bureau of Statistics (PCBS, 2012). The articles were identified by conducting keyword searches in nine databases comprising of Wiley Inter Science (Blackwell Publishing), Business Source Elite (EBSCO), Emerald, Informaworld (Taylor & Francis Group), JSTOR (ITHAKA), SAGE Journals Online (SAGE Publications), Science Direct (Elsevier), Springer Link (Springer), and ISI Web of Knowledge (Thompson Reuters). To ensure thorough coverage, manual searches in the most important sources of family business research also were also conducted, namely in Family Business Review (FBR), Entrepreneurship Theory and Practice (ET&P), Journal of Business Venturing (JBV), and Journal of Small Business Management (JSBM).

While the primary data was mainly from the questionnaire distributed to the firms, specifically owners of the firms, whom are the key personnel deciding on strategic orientations, managerial, and financial activities within the family firms (Chua et al., 1999). The lack of official databases on family firms in Palestine create difficulties for data collecting (Sabri, 2008). More specifically, public information is unreliable because family firms are privately held, and have no legal obligation to reveal information. Therefore, the survey approach for collecting primary data is most widely used in family firm research (Newby et al., 2003). Surveys can be proceeding through mail, face-to-face, telephone, or the internet. The study a mix approach was selected with intense focus on face to face, because of it can enhance the quality of the data acquired through this method (Leeuw, 1992). Moreover, it would facilitate a higher response rate. The questionnaire was to be filled out by a single respondent. More specifically, participants in this questionnaire had to be the owner within the family firm. It may be proposed that the use of a single key informant in data collection should be replaced using multiple respondents from each firm in order to increase reliability of the reported data (Bowman & Ambrosini, 1997a).

However, choosing a single respondent in strategic research studies can control for response bias (Bowman & Ambrosini, 1997b). Furthermore, for this kind of survey, owners are considered those individuals who are most knowledgeable in a strategic choice of the firm (Chen & Hsu, 2009). Using owners as respondents in this study is consistent with previous studies (Venkatraman & Ramanujam, 1987).

In the present study, the actual data collection was conducted for four months (i.e., between November 18, 2014 and February 18, 2015). The data was collected through a self-administered questionnaire. In the initial stage, an introducing official letter was collected from the Othman Yeop Abdullah Graduate School of Business (OYAGSB), in order to explain the purpose of the study for business owners. This step followed by distributing the survey instrument to the family business owners. The instrument was distributed in an envelope containing cover letter and the questionnaire. The cover letter clearly highlighted the background and purpose of the study, and the instruction on how to answer and return the questionnaire. In an attempt to increase the response rate, follow-up calls were made to the participants as a measure to increase the willingness of the participants in the survey. Their secrecy and confidentiality were confirmed in the cover letter (refers to Appendix A).

Nearly, 20 days after sending out the survey package, 10 out of 380 completed questionnaires were received through Bethlehem Chamber of Commerce and Industry (BCCI). Immediate after 10 days from the initial response another 45 were questionnaires received. This was probably because of the reminding telephone calls and e-mails to the owners and the executive members through (BCCI) business center.

However, since the response rate was still small the researcher personally attended to them one by one within the next two months. As a result, the total questionnaire returned was 318 out of 380. One of the major problems encountered during data collection was the geographical location of the participating firms, the Israel's restrictions on Palestinians' freedom of movement in the West Bank fixed as well as the flying checkpoints' physical obstructions, and the forbidden roads between Palestinian cities. For example, the Israeli military creates hundreds of astonishment airborne checkpoints alongside West Bank streets.

### 3.7.2 Data Analysis Techniques

The analysis will be done in two main steps, which preliminary analysis which descriptive statistics' analysis (Hair et al., 2010). Before carrying analysis steps the data went through a cleaning and screening process to see if there is any missing response. Next the questionnaire were coded using four alphabetical English letters and a number of one or two digits, for example, the question four in part one, ask about industry, banks is coded industry; Bank to bank, BNKS4; S to service and 4 is the question number.

The present research is explorative in nature by applying resource-based view theory in strategic perspectives, and contingency theory. This requires a path modeling methodology to be employed because it has been suggested that if research is prediction-oriented or an extension of an existing theory, PLS path modeling should be employed (Henseler, Ringle, Roldán & Cepeda, 2015; Sarstedt et al., 2014).

Several steps were followed in the data analysis. Firstly, the data collected was screened using SPSS to ensure that it is suitable for the PLS analysis. Secondly, to ascertain the measurement model, individual item consistencies, interior consistency reliabilities, convergent validity and discriminant validity were considered using smart PLS 2.0 M3 software (Henseler et al., 2015). Thirdly, standard bootstrapping technique with a number of 5000 bootstrap samples and 315 cases was practical to assess the structural model (Hair Jr, Hult, Ringle & Sarstedt, 2013). In particular, the significance of the path coefficients, level of the R-squared values, effect size and predictive relevance of the model were assessed (Hair, Sarstedt, Hopkins & Kuppelwieser, 2014).

Fourthly, the analyses of the main PLS path model was performed with the moderation analysis was conducted. Hence, following Henseler and Fassott (2010) approach to the analysis of moderating effects in PLS path models, a two-stage method was utilized to test the moderating effect of family influence and external environment impacts on the relationship between strategic orientation, organizational structure decisions and family firm performance. Finally, the fourth step required the find out the strength of the moderating effects using Cohen's (1988) effect size formula.

# CHAPTER FOUR
# ANALYSIS AND FINDINGS

## 4.1 Introduction

This chapter offerings the findings of knowledge analyses by means that of PLS path modeling. The creative data screening and inventive analysis next debated. Then the descriptive indicators for all the latent variables were explicit. Followed by the necessary findings of the study square measure offered in two leading subdivisions. In subdivision one; the measurement model was assessed to outline the individual item reliability, internal consistency reliability, convergent validity and discriminant validity. The structural model outcomes testified in section two, it includes the path coefficients significance, the R-squared values level, the effect size, and the model predictive relevance. Finally, the complementary PLS-SEM analysis findings, that studies the moderating effects of external environment' beside the family influence on the structural model are given.

## 4.2 Response Rate

In this study, 380 questionnaires distributed to the family businesses owners located in the West Bank of Palestine. In an effort to attain high response rates, several phone call reminders (Traina, MacLean, Park, & Kahn, 2005) and e mails (Uma & Roger, 2003) were sent to respondents. Who were yet to complete their questionnaires after four weeks via businesses groups' emails and personally that plays a crucial role in making in developing the response rate (Blom, Leeuw, & Hox, 2010; Manfreda et al., 2008; Ryu, Couper, & Marans, 2006). Refers to the following table 4.1 is the response rate of the questionnaire.

Table 4.1
*Response Rate of the Questionnaires*

| Response | Frequency/rate |
| --- | --- |
| No. of distributed questionnaires | 380 |
| Returned questionnaires | 318 |
| Returned and usable questionnaires | 315 |
| Returned and excluded questionnaires | 0 |
| Questionnaires not returned | 62 |
| Response rate | 83.6% |
| Valid response rate | 82.9% |

Hence, the results of these efforts generated 318 returned questionnaires out of 380 questionnaires that were distributed to the target respondents. This gives a response rate of 83.6% based on (Newby et al., 2003) definition of response rate. The 315 of these questionnaires were used for further analysis. (Krosnick, 1999, pp. 538-539). Hoax and Leeuw (1994) clarified that response rate is desirable and important to judge the survey quality. Thus, a response rate of 83.6 % is considered satisfactory for the psychoanalysis. Uma & Roger (2003) suggested that a response rate of 30% is adequate for surveys refers to Table 4.1.

### 4.3 Non-Response Bias Test

The non - response rate was defined as the variation in the responses between non-respondents and respondents (Lambert & Harrington, 1988). In order to assessment the possibility of non- response bias, Rubin (2004) proposed a time-trend extrapolation approach, which involves associating the early and behind time respondents (i.e., non-respondents). They debated that slow respondents share similar characteristics with non-respondents. At this moment in time, to further diminish the issue of non-response bias, recommended that a minimum response rate of 50% should be accomplished. Furthermore, (Lindner & Wingenbach, 2002; Strang, 2013; E. Babbie, 2007) recommended that 50 percent is an adequate, 60 percent is valid, and 70 percent is very pleasurable. Since this study achieved 83.6% response rate, it can be added that the issue of non-response bias does not appear to be a major concern.

Referring to (Armstrong, 1997) method, the respondents in the study divided into two groups: the early respondents who responded within 30 days, which they are 55(17.3%) respondents. Then the lately respondents' have respond after 60 days, which they are 265 (83.3%) respondents (Table 4.2). In specific, an independent samples t-test was accompanied to identify any possible non-response bias on the main study variables strategic orientation (defender, analyzer, prospector, and reactor), organization structure, family influence, external environment, and firm performance.

Table 4.2
*Descriptive Statistics for the Early and Late Respondents*

| Variables | | | | | **Levene's Test for Equality of Variances** | |
|---|---|---|---|---|---|---|
| | Group | N | Mean | SD | F | Sig. |
| Defender SO. | Early response | 50 | 3.6250 | .46907 | 0.571 | 0.451 |
| | Lately response | 265 | 3.5085 | .55704 | | |
| Analyzer SO. | Early response | 50 | 3.4150 | .73125 | 0.732 | 0.393 |
| | Lately response | 265 | 3.1132 | .80152 | | |
| Prospector SO. | Early response | 50 | 3.5550 | .73069 | 0.301 | 0.584 |
| | Lately response | 265 | 3.3566 | .80582 | | |
| Reactor SO. | Early response | 50 | 2.8900 | .80680 | 1.296 | 0.256 |
| | Lately response | 265 | 2.8792 | .94450 | | |
| OSOD | Early response | 50 | 3.9100 | .82196 | 2.923 | 0.148 |
| | Lately response | 265 | 3.8298 | .97735 | | |
| OSFD | Early response | 50 | 4.2240 | .73138 | 2.346 | 0.127 |
| | Lately response | 265 | 4.2113 | .85175 | | |
| OSSD | Early response | 50 | 4.1050 | .93690 | 0.155 | 0.694 |
| | Lately response | 265 | 4.0566 | .92657 | | |
| FP | Early response | 50 | 4.2320 | .93840 | 0.322 | 0.571 |
| | Lately response | 265 | 4.0075 | .99328 | | |
| FE | Early response | 50 | 3.8625 | .82114 | 0.691 | 0.406 |
| | Lately response | 265 | 2.7693 | .93777 | | |
| FC | Early response | 50 | 2.8662 | .70744 | 0.49 | 0.484 |
| | Lately response | 265 | 3.5738 | .79818 | | |
| Dynamism EE. | Early response | 50 | 3.9200 | .54735 | 2.852 | .092 |
| | Lately response | 265 | 3.7566 | .67504 | | |
| Hostility EE. | Early response | 50 | 3.7200 | .83939 | .067 | .796 |
| | Lately response | 265 | 3.5736 | .86974 | | |
| FFP | Early response | 50 | 3.8413 | .60995 | 2.845 | 0.098 |
| | Lately response | 265 | 4.1187 | .79719 | | |

Note: FFP = Family Firm Performance, SO=Strategic Orientation, OS=Organization Structure, FI=Family Influence, EE=External Environment, FP =Family Power, FE=Family Experience, FC=Family Culture. OSFD= Organizational Structure Financial Decisions, OSOD= Organizational Structure Operational Decisions. OSSD= Organizational Structure Strategic Decisions.

Table 4.2 outlines the results of independent-samples t-test obtained, where (Strang, 2013) and (Babbie, 2007) have recommended that 50 percent is an acceptable, 60 percent is good, and 70 percent is very good. Since this study achieved 83.6% response rate, it can be added that the issue of non-response bias does not appear to be a major concern.

### 4.4 Common Method Variance Test

The Common method variance (CMV), also known to as mono method bias, it refers to variance that is attributable to the measurement method rather than to the construct of interest (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Scholars have mostly agreed that common method variance is a major concern for scholars using self-report surveys (Lindell & Whitney, 2001; Podsakoff et al., 2003; Podsakoff, MacKenzie, & Podsakoff, 2012). For example, (Conway & Lance, 2010) stated that "common method bias inflates relationships between variables measured by self-reports" (p. 325). Similarly, in a meta-analytic review of 55 studies (Organ & Ryan, 1995) identified that studies piloted using self-report surveys are associated with spuriously high correlations due to common method variance.

This study approved some procedural treatments to minimize the effects of common method bias (Podsakoff et al., 2003; Podsakoff, MacKenzie, & Podsakoff, 2012). First, to condense assessment understanding, the participants were knowledgeable that there is no correct or incorrect response to the items in the questionnaire. Moreover, they were given an assurance that their responses were confidential throughout the inquiry procedure. Second, improving scale items were then applied to reduce method biases in the present work. This was accomplished by avoiding ambiguous concepts in the questionnaire and when such concepts were used, simple lessons were offered.

Refers to the results towards further improve scale items and content validity, all questions in the survey were written in an easy, precise and brief language, through translation from English to Arabic then in English once more. Besides that, the questionnaire-contented validity was reviewing over and done with two professors in management from UUM University in Malaysia and Al-Quds University in Palestine, and six family business leaders in Palestine. Beside the factor analysis test using analysis variance extracted, the total number of the questions or factors of the study was 88 refers to the Appendix A of the questionnaire were (uni-dimensionality) reduced in factor analysis in Appendix C to 66 factors because their weight of latent construct is less than .50. It shows also the deleted items because of their lower latent weight of less than 0.50.

Refers to Appendix D, besides the procedural treatments described above, the study also adopted Harman's single factor test to inspect common method variance (Podsakoff & Organ, 1986). Traditionally, in this process, all variables of concern subjected to an exploratory factor analysis, and the results of the rotated factor solution then inspected to find the number of factors that are essential to account for the variance in the variables (Podsakoff & Organl, 1986). The key hypothesis of Harman's (1967) single factor check is that if a substantial amount of common method variance is current, either a single factor may emerge, or one general factor would account for greatest of the covariance in the predictor and criterion variables

(Podsakoff & Organ, 1986). Next Podsakoff and Organ (1986), all items in this study were submitted to a principal components factor analysis.

The results of the analysis produced thirteen factors; they explained a cumulative of 61.9% of the variance; with the leading factor clearing up 24.8 % of the total variance, which is less than 50%. Additionally, the results indicate that no single factor accounted for the majority of covariance in the predictor and criterion variables (Podsakoff et al. 2012). Hence, this suggests that common method bias is not a major concern and is unlikely to inflate relationships between variables measured in this study, the Appendix D show total variance explained table.

### 4.5 Initial Data Screening and Preliminary Analysis

Initial data screening is very essential in any multivariate analysis because it enables scholars to identify the possible violations of the key assumptions about the application of multivariate techniques of data analysis (Jnr, Money, Samouel, & Page, 2007). Furthermore, preliminary data screening enables scholars to understand the data collected for extra analysis. Proceeding to initial data screening, all the 318 returned and 318 usable questionnaires were coded and entered into the SPSS. In addition, all the negatively worded items in the questionnaires were rearward coded. The negatively worded items that were rearward coded include Defender 04, Analyzer 07, Propector11, Reactor13, 14, 15 in part 3, and hostility 07, 08, 09, 10, 11 in part 6 of the questionnaire. Subsequent to data coding and entry, the following preliminary data analyses were performed: (1) missing value analysis, (2) assessment of outliers, (3) normality test, and (4) multicollinearity test (Hair, Black, Babin, & Anderson, 2010; Tabachnick & Fidell, 2007).

### 4.5.1 Missing Value Analysis

In the original SPSS dataset, out of the 318 cases, there are no missing values. Although there is no acceptable percentage of missing values in a data set for making a valid statistical inference, researchers have generally agreed that missing rate of 5% or less is non-significant (Tabachnick & Fidell, 2007). Furthermore, scholars have proposed that mean replacement is the easiest way of replacing missing values if the total percentage of missing data is 5% or less (Tabachnick & Fidell, 2007). The result show there is no missing value of 5% or less.

### 4.5.2 Assessment of Outliers

Outliers were defined "as observations or subsets of observations, which appear to be inconsistent with the remainder of the data" (Barnett & Lewis, 1994). In a regression-based analysis, the outliers' existence in the data set can actually mislead the approximations of regression coefficients and increase the unreliable findings (Verardi & Croux, 2008). To recognize any observation that seems to be outside, the SPSS value labels because of improper data entry, first, the tables of frequency arranged for all variables using minimum and maximum statistics. Based on the original analysis of frequency statistics, there was no value found to be outside the expected range.

Furthermore, the data inspected for univariate outliers using standardized values with a cut-off of ±3.29 ($p < .001$) as recommended by (Tabachnick & Fidell, 2007). Following Tabachnick and Fidell's (2007) standard for detecting outliers, none of the cases identified using standardized values as potential univariate outliers. Besides using standardized values to identify univariate outliers, multivariate outliers were also detected using Mahalanobis distance (D2). Tabachnick and Fidell (2007) defined Mahalanobis distance (D2) as "the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all the variables" (p. 74). Following this standard, three multivariate outliers (i.e.88, 122, and 151) were detected and afterward deleted from the dataset because they might disturb the accuracy of the data analysis method. Thus, after eliminating three multivariate outliers, the last dataset in this revision will be 315.

### 4.5.3 Normality Test

Aforementioned research (Cassel, Hackl, & Westlund, 1999; Reinartz, Haenlein, & Henseler, 2009; Sarstedt, Ringle, Smith, Reams, & Hair, 2014; Wetzels, Odekerken-Schröder, & Oppen, 2009) has conventionally assumed that PLS-SEM offers accurate model estimations in situations with non-normal. However, this assumption may turn to being false. Recently, it has been recommended that researchers should execute a normality test on the data (Hair, Sarstedt, Ringle, & Mena, 2012). Highly skewed or kurtosis data can inflate the bootstrapped standard error estimates (Chernick, 2008), which in turn underestimate the statistical significance of the path coefficients (Ringle, Sarstedt, & Straub, 2012).

Against this contextual, the present study hired a graphical method to check for the normality of data collected (Tabachnick & Fidell, 2007). It is suggested that in a large sample of 200 or more, it is more vital to look at the shape of the distribution graphically rather than looking at the value of the skewness and kurtosis statistics.

The large samples reduces the standard errors, which in turn inflate the value of the skewness and kurtosis statistics (Field, 2009), henceforth, this reasonable for using a graphical method of normality test rather than the statistical methods. Refers to Appendix E figure resulting, Field's (2009) suggestion, in the present study, a histogram and normal probability plots were inspected to ensure that normality suppositions are not violated. Where it was proposed that deviations formed normality does not make important effects in the results in large samples of above 200 respondents (Tabachnick & Fidell, 2007).

### 4.5.4 Multicollinearity Test

Multicollinearity refers to a situation in which one or more exogenous latent constructs become highly correlated. The presence of multicollinearity among the exogenic latent constructs can substantially distort the estimates of regression coefficients and their statistical significance tests (Hair, Black, Babin, Anderson, & Tatham, 2006). In specific, multicollinearity rises the standard errors of the coefficients, which in turn render the coefficients statistically non-significant (Tabachnick & Fidell, 2007). To detect multicollinearity, two methods were used in the present study (D. X. Peng & Lai, 2012). First, the correlation matrix of the exogenic latent constructs was examined. According to Hair et al. (2010), a correlation coefficient of 0.90 and above indicates multicollinearity between exogenous latent constructs. It refers to the Appendix F the table of the correlation matrix of the exogenous latent constructs, as shown in Appendix G table of multicollinearity, the correlations between the exogenic latent constructs were sufficiently below the suggested threshold values of .90, which suggests that the exogenous latent constructs were independent and not highly correlated. Secondly, following the examination of the correlation matrix for the exogenous latent constructs, variance inflated factor (VIF), tolerance value and condition index were examined to detect a multicollinearity problems. Table 4.3 shows the multicollinearty VIF values, tolerance values, and condition indices for the exogenous latent constructs.

Table 4.3
*Multicollinearity Test Based on Tolerance and VIF Values.*

| | **Tolerance** | **VIF** |
|---|---|---|
| Defender | 0.205 | 4.87 |
| Analyzer | 0.425 | 2.35 |
| Prospector | 0.507 | 1.97 |
| Reactor | 0.191 | 5.23 |
| Operational decisions | 0.246 | 4.06 |
| Financial decisions | 0.215 | 4.61 |
| Strategic decisions | 0.288 | 3.47 |
| Family power | 0.427 | 2.34 |
| Family experience | 0.283 | 3.53 |
| Family culture | 0.29 | 3.44 |
| Dynamism environment | 0.269 | 3.72 |
| Hostility environment | 0.654 | 1.52 |

Hair, Ringle and Sarstedt (2011) suggested that multicollinearity was a concern if VIF value is greater than 5, tolerance value is more than 0.2, and condition index is larger than 30, and it supposed that VIF is less than 10 and above 0.1 (Pallant, 2013). Sample Characteristics

The following part refers to the demographic outline of the respondents in the sample. It include the general demographic characteristics, the strategy characteristics, and then the organizational structure characteristics.

### 4.5.5 The Demographic Physical Characteristics

The demographic physical characteristics examined in this study were shown in the Table 4.4. Respondents were asked to indicate several aspects related to their family firm such as family's ownership percentage, the presence of strategy, firm size, firm sector, firm type, firm age; corporate identity changed over time. The table 4.4 present the results of these aspects.

Then the respondents were asked if the firm work type was changed over the time from one type to another through yes, no answers. The sample showed that 221 (70.2%) of the firm's identity or kind of work did not change over the endmost three years, while 94 (29.8%) of the firms, identities were changed over the time in the latest three years.

Family firm's ownership has its effect on performance, the respondents were asked to indicate their percent of ownership by selecting one of the three choices, less than 50 percentage from 50-99.9 percent, and 100 percent.

The firm size variable is important in this study because the targeted small, medium, and large firms. The family firm size measured by the total number of employees in a firm (Rothaermel & Deeds, 2006; Wu, Chua, & Chrisman, 2007). Where them PCBS (2011), and the Arabian Organization for Industrial Development and Mining defined the enterprises by the number of employees and value of capital invested excluding land, building and working capital) definition shows the micro enterprise, the employing is less than 5, with invested capital not as much than US$5.000. The Small enterprise of 6-19 employees, using invested capital of less than US$ 15.000. The medium enterprises, which employs 20-49 with invested capital between US$ 15.000 – US$ 25.000. In addition to the large firms that employ more than 50 employees (PCBS, 2012; Arab Industrial Development and Mining organization, 2015, http://www.aidmo.org/index.php?lang=en).

To get the exact number, respondents were asked to indicate the size of the company by writing the number of employees that the firms have in the latest three years, 2012, 2013, 2014. It is found that the firms' average firm size in the endmost three years 2012, 2013, 2014 is 30 employees. Then we categories them into three categories, small firms '6-19' which is 40 %, medium'20-49 which is 31.9 %, and large firms of more than 50 employees, which 28.1 %.

The sample showed that 69.8 % of the respondents owns 100 % of their firms, while 90.8 % of the sample own more than 50 % of their firms. The family and business overlapping referred to the family experience contribution in the firm performance. The respondents were asked which generation owns the firm. In mostly, the first generation owns the firms with an average degree of 3.7, which refer that Palestinian family business, are young firms. Additionally, they were asked about which generation manages the firm. The first generation as well manages the Palestinian family firm in most cases with an average degree of 3.1.

The generation ownership and management are concentrated in the first and second generations. In the relationship with ownership, the respondents were asked if their family first/ second /third /fourth generation owned the entire firm or the majority of the firm. The figure depends on the sum of agree and strongly agree in each question. It indicates the distribution of family share in ownership based on 5-point Likert scale categories.

Overall, the distribution is skewed to the left. Family ownership in the sample is relatively high with 67.90 percent of the firms holding a majority of the firm for the first generation with average 3.75; it is 50.4% in the second generation with average3. 15; 27.9 percent in the third generation with average 2.38; plus 19.4 percent in the fourth generation with mean 2.01. Altogether, the sampled firms have a controlling ownership of 56.5 percent of the family business, with overall averages is 2.82 out of 5 reflecting highly concentrated ownership for the family firms. In the relationship with owner's management to their firms, the respondents were asked if their family first/ second /third /fourth generation manage the entire firm or the majority of the firm.

The results are in line with ownership results. In the relationship with management, the respondents were asked if their family first / second /third /fourth generation managing the entire firm or the majority of the firm. The figure indicates the Family management in the sample is relatively high with 61% of the firms were managed by the first generation with mean 3.53; 48.6% in the second generation with average 3.13; 23.2 percent in the 3rd generation with average 2.27; with 22.9 percent in the fourth generation with mean 2.1.

Altogether, the sampled firms have a controlling management of 55.3 percent of the family business, with overall averages is 2.76 out of 5 reflecting highly concentrated ownership for the family firms. With respect to the family firm Performance measurements, it involved of qualitative and quantitative approaches. In this section, firstly, the qualitative financial and perceived performances are following by the quantitative financial performance. The qualitative financial performance measures can be further distinguished in measures based on accounting data, and measures based on market data (Lindow, Stubner, & Wulf, 2010).

The following table 4.4 show the descriptive analysis results. The average of firm returns: sales, profit, and assets the respondents were asked to write the amount of their sales, profits, and assets that evaluate their firms' situation in the last three years 2012, 2013, and 2014 by US dollar. The highest average profit in the sample was 2488782 US dollar, and the highest amount of assets was 3.4 percent has more than 4 million US dollar. The subjective performance measures are distinguished into quasi-subjective and at least subjective measures. Quasi-objective performance measures ask for opinions on some objective measure (e.g., comparative performance linked to rivals in terms of sales) while fully subjective measures assess the performance missing a fixed reference to an objective measure (relative performance to competitors).

Table 4.4
*Summary of Respondents' Demography*

| Variable | Items | Frequency | % | Variable | Items | Frequency | % |
|---|---|---|---|---|---|---|---|
| **Type** | Trade | 107 | 34 | **Management Share** | 1st Generation | 192 | 61 |
| | Manufacturing | 103 | 32.7 | | 2nd Generation | 153 | 48.6 |
| | Service | 80 | 25.4 | | 3rd Generation | 73 | 23.2 |
| | Agriculture | 25 | 7.9 | | 4th Generation | 72 | 22.9 |
| | **Items** | **NO** | **%** | **ID. Change** | Yes | 94 | 29.8 |
| **Size (employees)** | 5-19 | 126 | 40 | | No | 221 | 70.2 |
| | 20-49 | 105 | 31.9 | **Sales ($US)** | < 50000 | 103 | 32 |
| | > 50 | 93 | 28.1 | | 50000-99000 | 70 | 22.2 |
| **Age (year)** | Less than 10 | 93 | 24.5 | | 100000-199000 | 54 | 17.1 |
| | 10-20 | 103 | 32.5 | | 200000-399000 | 46 | 14.6 |
| | 21-50 | 123 | 39 | | 400000-799000 | 20 | 6 |
| | More than 50 | 14 | 4 | | 800000-1000000 | 11 | 3.4 |
| **Ownership** | > 50% | 29 | 9.2 | | >1000000 | 11 | 3.4 |
| | 50-99.9% | 66 | 21.0 | **Assets ($US)** | Less than 500000 | 232 | 73.6 |
| | 100% | 220 | 69.8 | | 500000-1000000 | 36 | 11.4 |
| **OS** | High centralized | 277 | 88 | | 1000000-2000000 | 23 | 7.3 |
| | Med. centralized | 32 | 10 | | 2000000-30000 | 7 | 2. |
| | Low centralized | 6 | 2 | | 3000000-4000000 | 6 | 1.9 |
| **Profit ($US)** | Less than 50000 | 214 | 67.9 | | >4 million | 11 | 3.4 |
| | 50000-99000 | 48 | 15.2 | | | | |
| | 100000-199000 | 24 | 7.6 | | | | |
| | 200000-399000 | 17 | 5.4 | | | | |
| | 400000-799000 | 3 | 1 | | | | |
| | 800000-1000000 | 3 | 1 | | | | |
| | >1000000 | 6 | 2 | | | | |

According to Richard et al., fully subjective performance measures allow researchers to take advantage of assessing aggregate rather than individual performance (Richard, Devinney, Yip, & Johnson, 2009a). In The perceived performance measurements, the respondents strongly agree that their firm's management compared to the previous situation of the firm, achievement of objectives and goals, and the firm's competitiveness compared to other firms have been developed in the last three years.

The Table 4.4 shows the responses to the items of the financial scale. As it can be seen, respondents agree largely with the items in this scale. Hence, the responses reflect a high agreement of the financial measurements increasing. In particular, strongest agreements were found with respect to the average firm's sample by financial and perceived performance between 2012 and 2014, sales mean (3.611). The earnings before interest rate and tax mean was (3.539); the return on equity was (3.511), while the return on assets was (3.572), the perceived performance of management mean was (3.9333); the achievement of objectives mean was (4.0159), and the competitiveness situation compared with others in the same industry mean was (4.0381).

### 4.5.6 Strategy Characteristics

In this study, the majority of sampled firms pursue defender or prospector strategic types. Further specifically, (3.51) the average of defender, followed by (3.48) for prospector strategy, followed by (3.25) for analyzer strategy. The respondents classified their business as defender, prospector, analyzer, and reactor strategic types with an average of (2.98). Due to industry classification allowing multiple responses, the total number of firms depends on respondents' answers of strategy that fits the firms' performance. As shown in Figure, 4.1 Defender, prospector, analyzer, and reactor strategies are pursued in each industry. This is in line with preceding research, which predicted that defender, prospector, and analyzer strategy's ideal types would be equally viable in each industry, although, with the exception of the service sector, defender, prospector, and reactor strategies' types are outnumbering the analyzer types Snow and Hrebiniak (1980) p. 324.

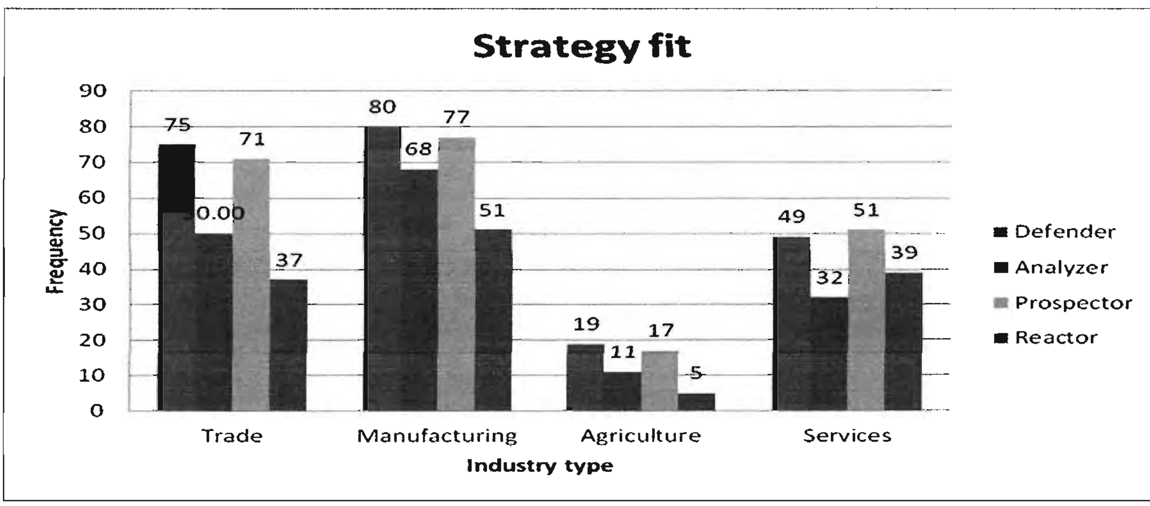


Figure 4.1
*Strategy Fit, Sample by Industry and Sector*

### 4.5.7 Organizational Structure Characteristics

In the Sample by organizational structure and firm age categories, Figure 4.2 and Figure 4.3 respectively illustrate how the organizational structures of family firms' differ across different firm ages and employment sizes. Consistent with (Goffee & Scase, 1985, p. 55) and (Lindow, 2013, p. 137), sampled family firms tend to increasingly use moderately centralized structures as they get older and larger, although no clear counter-trend is apparent for highly centralized structures.

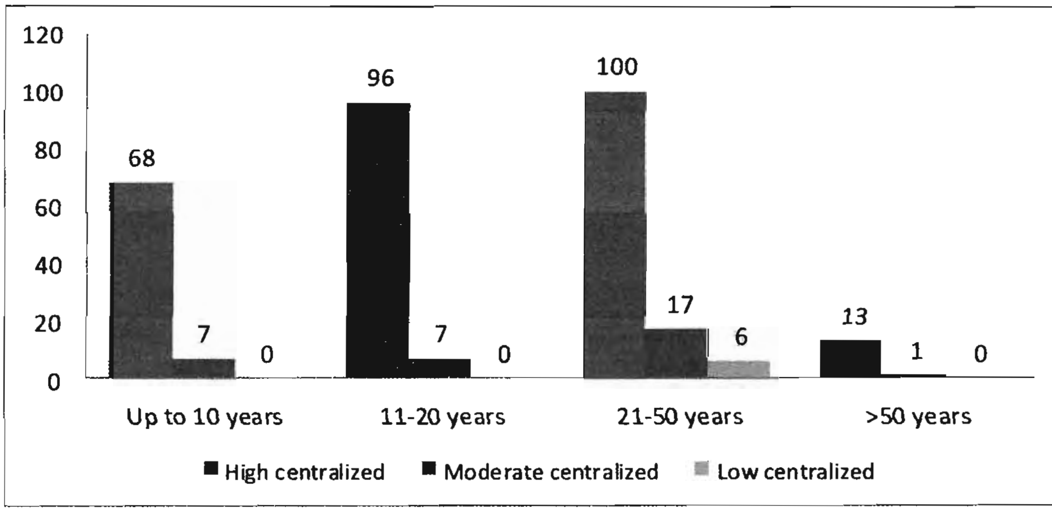


Figure 4.2
*Firm Age and Decision Making Structure*

Overall, family firms had an organizational structure with an average degree of centralization of 4.06 (SD = 0.80). Considering the 5-point Likert-type scale used, the values nearer to five indicate higher centralization, these figures point to a general tendency toward centralization rather than decentralization of decision-making. More specifically, as nearer look at the three items that compose the overall centralization index shows, sampled family firms tend to moderately delegate operational decisions (mean = 3.83), while they tend to keep power and decision-making authority relatively highly centralized when it comes to financial (mean = 4.21) and strategic decisions (mean = 4.11).

In addition to the central trends and distributions specified above, Figure 4.3 demonstrates the answers given for each type of decision.

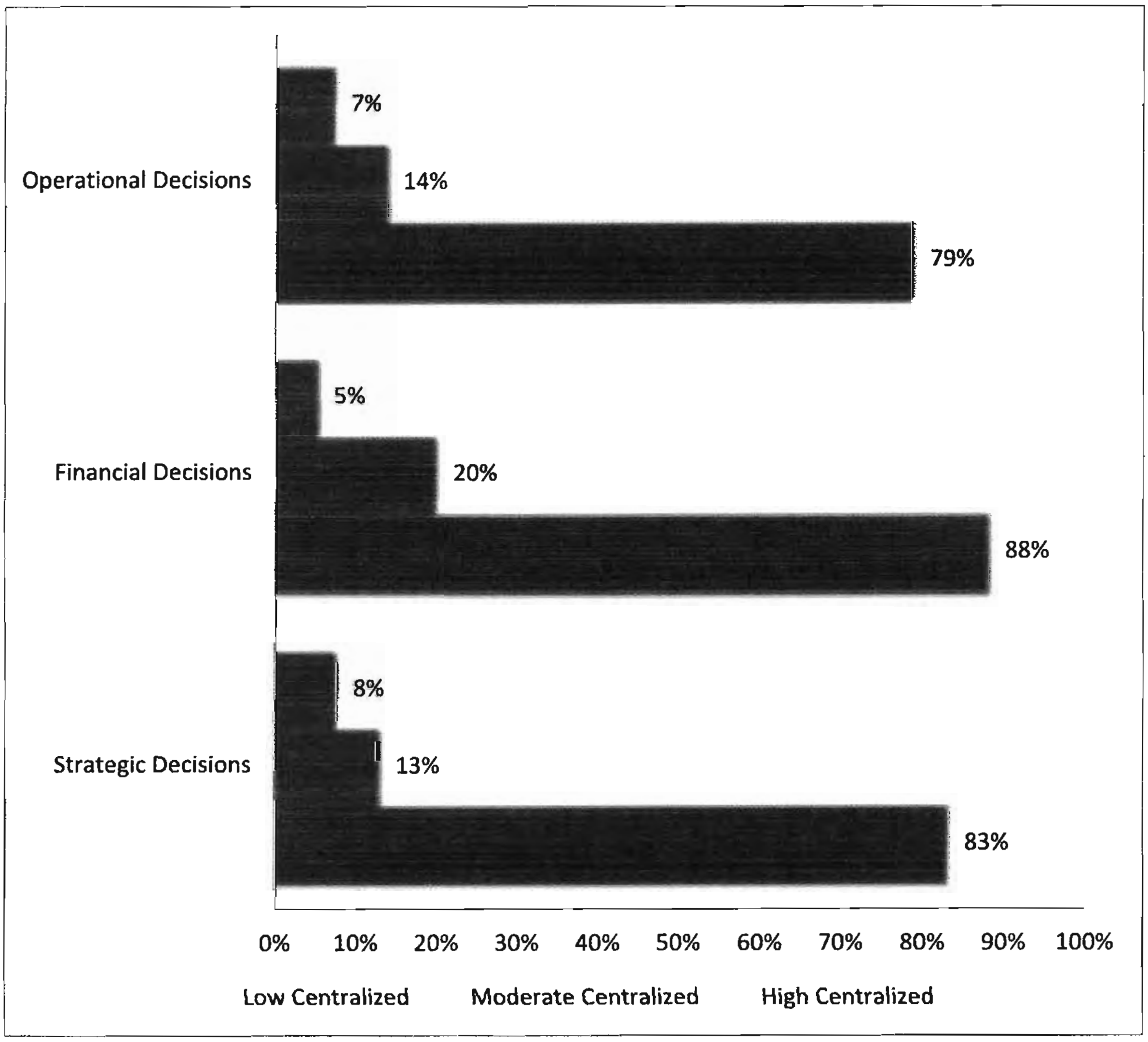


Figure 4.3
*Sample by Centralized Decisions*

High, medium and low centralization were distinguished based on the range of the 5-point scale. Percentages refer to valid percent.

Demonstrating above-mentioned trends, it was seen that 44 of the respondents described their operational decisions to be moderately centralized (14% of respondents), while 278, and 262 of the respondents classified their financial and strategic decisions to be highly centralized (88.2% and 83.1%, respectively).

The figure 4.4 show the sample organization structure compared with the number of employees in terms of centralized decisions regarding the family firm size. The descriptive results show that the centralization decision is the main character of the Palestinian family firms, where the centralization increase with increasing in the number of employees.

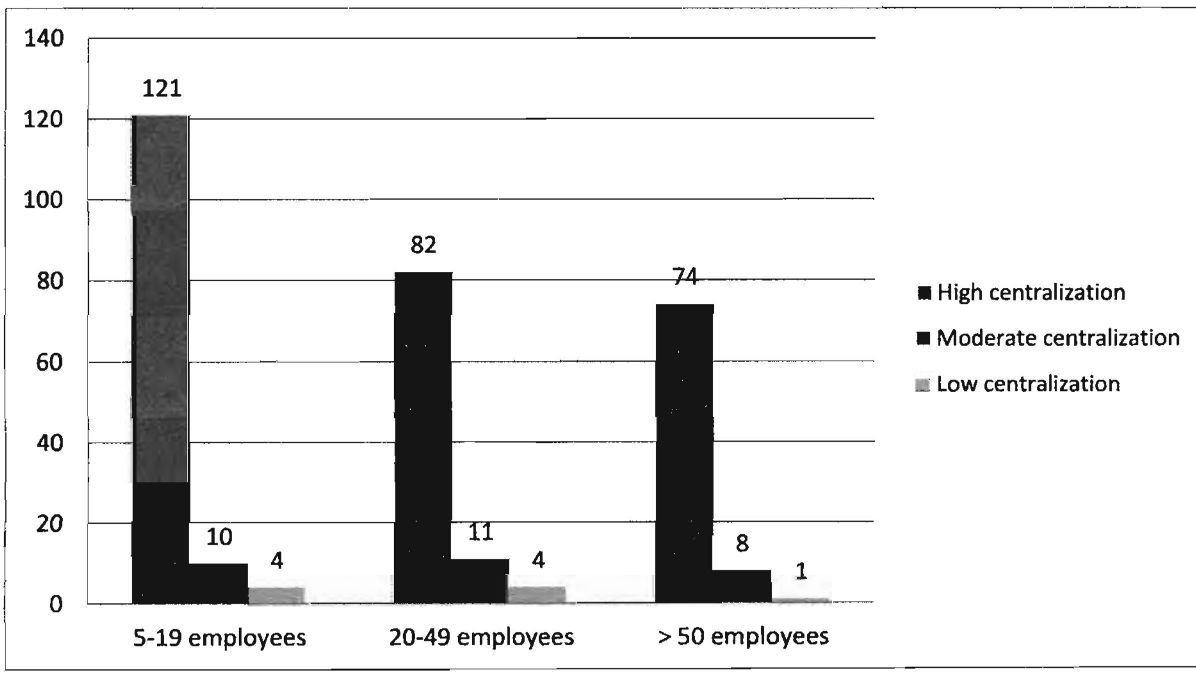


Figure 4.4
*Sample by Decision-Making Structure and Firm Size*

### 4.6 Assessment of PLS-SEM Path Model Results

Using PLS path models with virtual data, the authors show that goodness-of-fit index is not appropriate for model validation because it cannot distinct valid models from invalid ones (Hair, Hult, Ringle, & Sarstedt, 2013). Case in point, recent studies shown that, it is not necessary to conduct goodness-of-fit (GoF) index, it is not proper for model validation (Henseler & Sarstedt, 2013). PLS-SEM follows a sequential two-step approach (Hair, Ringle, & Sarstedt, 2011).

The assessment of a PLS-SEM path model commences by the estimation of the outer model (i.e. measurement model) in terms of reliability and constructs validity (i.e. convergent and discriminant validity), followed by the assessment of the path relations of the inner model (i.e. structural model) (Henseler, Ringle, & Sinkovics, 2009). In the light of the latest development about the unsuitability of PLS path modeling in model validation, the current study implemented a two-step process to evaluate and report the outcomes of PLS-SEM path, as proposed by (Henseler et al., 2009). The two-step procedure in Figure 4.5 implemented in the existent study includes (1) the assessment of a measurement model, and (2) the assessment of a structural model (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014; Henseler et al., 2009).

**(1)Assessment of the measurement model**

- Examining individual item reliability
- Ascertaining internal consistency reliability
- Ascertaining convergent validity
- Ascertaining discriminant validity

**(2)Assessment of the structural model**

- Assessing the significance of path coefficients
- Evaluating the level of *R*-squared values
- Determining the effect size
- Ascertaining the predictive relevance
- Examining the moderating effect

Figure 4.5
*A two-Step Data Analysis Process*
**Source**: (Henseler *et al.*, 2009)

### 4.6.1 The Measurement Model

The measurement model assessment comprises determining individual item reliability, internal consistency reliability, content validity, convergent validity and discriminant validity (Hair et al., 2014; Henseler *et al.*, 2009). To treaty with the potential effect of a big amount of indicators, Cenfetelli and Bassellier (2009) recommend grouping indicators into two or more separate constructs.

The study has grouped the financial decisions, operational decisions and strategic decisions into centralized and decentralized organizational structure decisions. Then the dynamism environment and hostility environment indicators were grouped into external environment.

Moreover family power, family experience and family culture as in family influence; after that the continuous constructs of family financial performance, and family perceived performances were grouped into family firm performance construct in the line with (Hair Jr *et al.*, 2013, p. 128).

The following figure 4.6 showed organizational structure, family influence, external environment and family firm performances were grouped into their main variables. The R square variance of the family firm performance was 24.7%, and the latent weight in the relationship with path coefficients' is above 0.50.

The step result appendixes in appendix H of the measurement model figure followed by appendix I composite reliability and average variance extracted (AVE) before grouping.

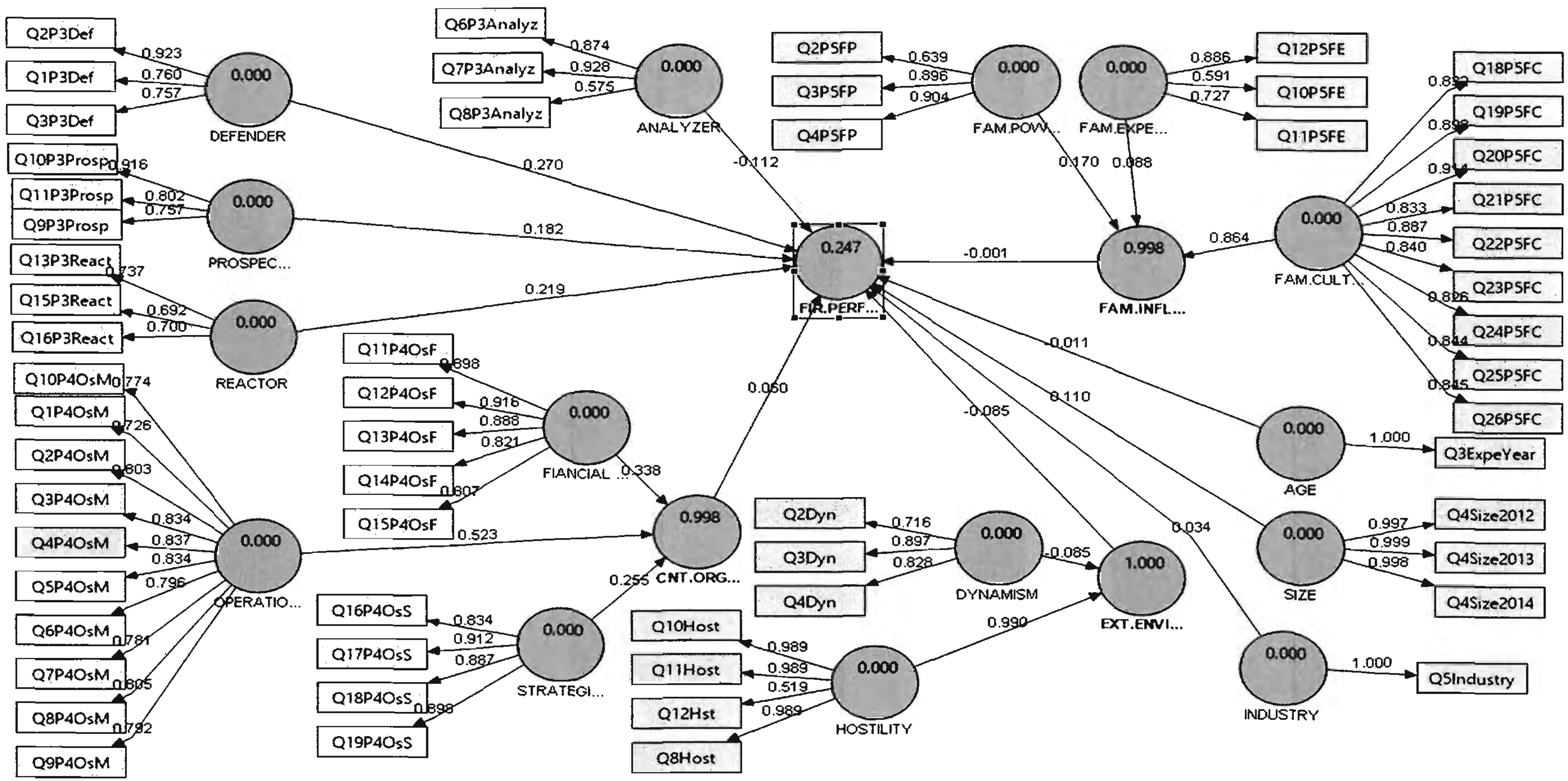


Figure 4.6
*The Grouped Measurement Model*

The appearance of the following figure show how the change affects the dependent variable through increasing the coefficient of determination's effect from 24.7 percent to 32.2 percent in the figure 4.7.

Using this approach of course needs the indicators groups to be conceptually associated and that the groupings make sense from a theoretical and conceptual viewpoint. All indicator loadings were greater than the cross loadings, suggesting adequate discriminant validity for further analysis.

However, there is an exception of the rule in Hair et al., (2013) in page 129. Their suggestions is contingent, depends on the indicator of a non-significant weight if its outer loading is below 0.50, the researcher choices, to keep or remove the indicator. The choice depends on examining its theoretical significance and possible contented overlay with other indicators of the same construct, and on it significant is important (Cenfetelli & Bassellier, 2009).

Therefore, this study chose to keep family experience indicators as part of family influence, and environment hostility indicators as part of external environment in the model, where they have a significant effect in the theory.

### 4.6.1 Individual Item Reliability

Individual item reliability was measured by exploring the outer loadings for each construct (Hulland, 1999), which just was projected by (Hair et al., 2014; Hair et al., 2012).

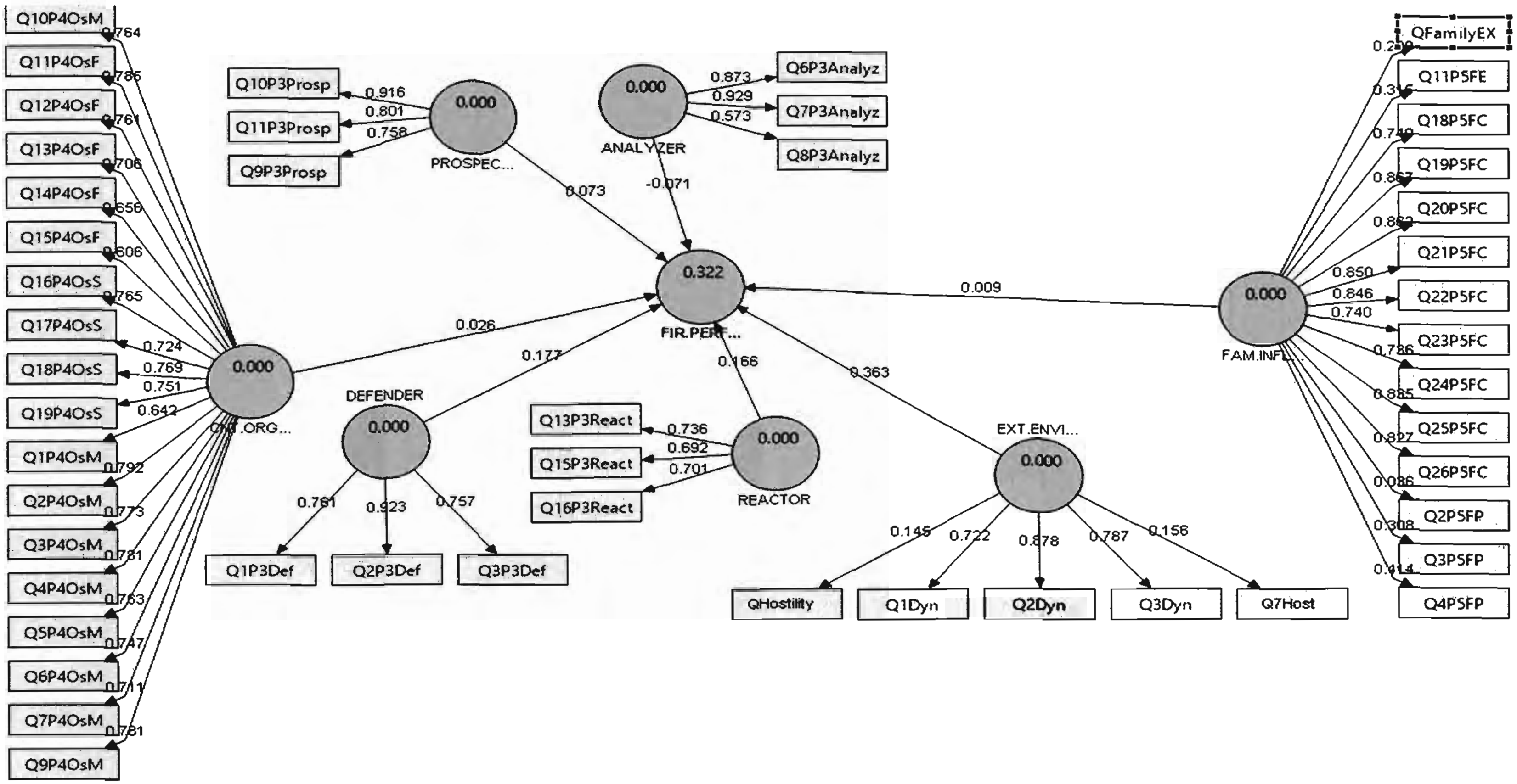


Figure 4.7
*Measurement Model*

Next, the retaining items with loadings amongst .40 and .70 rule of thumb was considered by Hair et al. (2014), it showed that out of items, 22 were deleted as they presents loadings below the edge of 0.50. Therefore, simply 66 items engaged in the whole model, as they took loadings between 0.597 and 0.997. Refer to Appendix J of Table of latent loading, the Average Variance Extracted (AVE), and Composite Reliability after grouping where Appendix K shows the table of outer loading.

### 4.6.2 Internal Consistency Reliability

Internal consistency reliability refers to the level to which all items on a particular scale are assessing the same conception (Sun, Aryee, & Law, 2007). Cronbach's alpha coefficient and composite reliability (CR) coefficient are the furthermost generally used estimators of the internal consistency reliability of an instrument in organizational research (McCrae, Kurtz, Yamagata, & Terracciano, 2011; Peterson & Kim, 2013). The study chose the CR coefficient and to determine the internal consistency reliability of measures reformed (Bagozzi, Yi, & Nassen, 1998). In fact, that, the use of CR coefficient provides a much a lesser amount of biased estimate of reliability than Cronbach's alpha coefficient since the Cronbach's alpha assumes all items contribute equally to its construct without considering the actual contribution of individual loadings (Götz, Liehr-Gobbers, & Krafft, 2010). Cronbach's alpha might be under or over -estimate the scale of reliability. Götz et al. (2010) propse that the CR takings into account that indicators have diverse loadings and can be understood in the simpler way as Cronbach's α. It is not a difficult which specific reliability coefficient was used; an internal consistency reliability value beyond .70 is deliberated as satisfactory for an acceptable model, whereas a value below .60 indicates an absence of reliability.

However, the clarification of internal CR using composite reliability coefficient based on the rule of thumb provided by (Bagozzi & Yi 1998; Hair et al., 2011), they recommended that the composite reliability coefficient should be at least .70 or beyond. In assessing reliability, higher value indicates higher level of reliability. In explanatory research, the value between 0.60 and 0.70 is acceptable, whereas values above .70 to .95 considered satisfactory to good (Hair et al., 2014). As revealed in Table 4.5, the each latent constructs of CR coefficient ranged from .7528 to .9985, which for each is exceeding the least acceptable level of .70. Results suggested a high level of internal consistency reliability (Bagozzi & Yi 1998).

Table 4.5
*Loadings, Composite Reliability and AVE*

| Variable | AVE | Composite Reliability | R Square |
|---|---|---|---|
| Defender | 0.667403 | 0.856447 | |
| Analyzer | 0.651787 | 0.843950 | |
| Prospector | 0.684835 | 0.866246 | |
| Reactor | 0.504046 | 0.752880 | |
| Organizational structure | 0.563966 | 0.958668 | |
| Family influence | 0.504161 | 0.931603 | |
| External environment | 0.536506 | 0.784694 | |
| Family firm performance | 0.512043 | 0.938666 | 0. 0.3229 |

Note AVE >.50, CR > .70 is acceptable.

### 4.6.3 Convergent Validity

Convergent validity denotes to the degree to which items actually signify the suggested latent construct and definitely correlate with other measures of the same latent construct (Hair et al., 2006). Fornell and Larcker (1981) suggested convergent validity weighed by inspecting the Average Variance Extracted (AVE) of each latent construct. To achieve sufficient convergent validity, Chin (1998) and Sarstedt et al. (2014) recommended that the AVE of each latent construct should be .50 or more that on average the construct clarifies above 50% of the variance of the items as it showed in Table 4.5.

### 4.6.4 Discriminant Validity

Discriminant validity defined by Fornell and Larcker (1981), Sarstedt et al. (2014) and Shook, Ketchen, Hult, and Kacmar (2004) as the degree that is a particular latent constructs is different from other latent constructs and exemplify only this single construct. However, it was suggested by Fornell and Larcker (1981), using AVE by comparing the correlations amongst the latent constructs with square roots of average variance extracted.

Additionally, Hair et al. (2011) proposed that discriminant validity was determined by following Chin's (1998) criterion by likening the indicator loadings with other reflective indicators in the cross loadings table. For evaluating discriminant validity, firstly, as a rule of thumb, it recommended to use of AVE with a score of .50 or more (Fornell & Larcker, 1981). To achieve suitable discriminant validity, Fornell and Larcker (1981) has suggested that the square root of the AVE must be greater than the correlations between latent constructs. As indicated in Table 4.5, the values of the average variances extracted range between .5108 and .6674 and .8003, suggesting acceptable values.

However, in Table 4.6, the correlations among the latent constructs were compared with the square root of the average variances extracted (values in a bold face). Table 4.6 shows that the square roots of the average variances extracted were all greater than the correlations between latent constructs, suggesting adequate discriminant validity (Fornell & Larcker, 1981).

Additionally, as stated earlier, discriminant validity can be ascertained comparing the indicator loadings with cross-loadings (Chin, 1998). To achieve adequate discriminant validity, Chin (1998) suggests that all the indicator loadings should be higher than the cross-loadings. The (Appendix L) the table of cross loading compares the indicator loadings with other reflective indicators. All indicator loadings were greater than the cross loadings, suggesting adequate discriminant validity for further analysis. However, as mentioned earlier, there is an exception of the rule in Hair Jr et al., (2013). They suggests that an indicator of a non-significant weight where its outer loading is below 0.50, the researcher should choose, to retain or delete the indicator. The decision depends on examining its theoretical significance and possible contented overlay with other indicators of the same construct, and on it significant is important (Cenfetelli & Bassellier, 2009). Therefore, this study decides to keep family experience indicators as part of family influence, and environment hostility indicators as part of external environment in the model, where they have a significant effect in the theory.

**Table 4.6**
*Latent Variable Correlations and Square Roots of AVE*

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | AN | **.80733** | | | | | | | |
| 2 | OS | .15311 | **.75097** | | | | | | |
| 3 | DF | .03737 | .22972 | **.81694** | | | | | |
| 4 | EE | .21009 | .15502 | .348613 | **.7324** | | | | |
| 5 | FI | .04884 | .23120 | .171024 | .177658 | **.7100** | | | |
| 6 | FFP | .21391 | .09859 | .329464 | .506237 | .09387 | **.7155** | | |
| 7 | PR | .01656 | .02238 | .262019 | .413613 | .14621 | .259887 | **.8275** | |
| 8 | RE | .48468 | .10477 | .004318 | .178670 | .06699 | .257045 | .0704 | **.7099** |

Note: Entries shown in bold face represent the square root of the average variance extracted. AN=Analyzer, OS = centralized organization structure, DF=defender, EE= external environment, FI= family influence, FFP = family firm performance, PR=prospector, RE= reactor.

### 4.7 The Structural Model

Having recognized the measurement model, next, the current study evaluated the structural model. The present study also applied the standard bootstrapping procedure with a number of 5000 bootstrap samples and 315 cases to evaluate significance of the path coefficients (Hair et al., 2014; Hair et al., 2011; Hair et al., 2012; Henseler et al., 2009).

As the earlier Figure 4.7 and the following Table 4.7 showed the direct effect before inserting the moderator. It is important to mention that the study has used the software of the social science calculators (SSS, 2015) to calculate the p-value.

Table 4.7
*Direct Relationship of the Model before the Inserting the Moderator*

| Research Hypotheses | Direct relation | Beta | (SE) | T value | p- value |
|---|---|---|---|---|---|
| H1: There is a positive significant relationship between SO and FFP. | H1a: DF -> FFP | 0.1802 | 0.051 | 3.502 | .0038*** |
| | H2b: AN -> FFP | -.0827 | 0.054 | 1.544 | .06326* |
| | H3c: PR -> FFP | 0.1024 | 0.051 | 1.999 | .02444** |
| | H4d: RE -> FFP | 0.2412 | 0.057 | 4.214 | .0003*** |
| H2: There is a positive significant relationship between OS and FFP. | H2: OS -> FFP | 0.4385 | 0.265 | 1.656 | .0508* |

**Note:** In one tail test significant p< 0.01***, p<0.05**, p< 0.1*, SO= strategic orientation, AN=Analyzer, OS = centralized organization structure, DF=defender, EE= external environment, FI= family influence, FFP = family firm performance, PR=prospector, RE= reactor, SE standards error. For 90%, 95%, 99% confidence level *the t- statistics level is 1.645, 1.96, and 2.575 respectively. In confirmatory* model p<0.05**.

Firstly, results of direct relationship hypotheses H1 that has four sub hypotheses; they are H1a, H1b, H1c, and H1d. H1a showed that defender strategic orientation's firms are positively related to family firm performance, with β (0.1802), T value is (3.501) (P <. 01) support hypotheses. H1b, of positive direct relationships between Analyzer strategic orientation and family firm performance is supported with β (-0.082680), T value (1.543), with the p-value < .05. A result of a hypothesis H1c of Prospector strategic orientation was supported with β (0.1023), T value (1.999), with P < .01. The Reactor strategic orientations H1d is positively related to family firm performance with β (0.2412), T value (4.213), P < .01 (Table 4.7).

Secondly, the results of direct relationship of centralized organizational structure of decision making H2 showed significant relationships with family firm performance with β (0.4385), T value is (1.656), P value < .10 (Table 4.7).

The analysis of the hypotheses results consist of two main titles, they are the direct relationships and title of the moderating effect.

The direct relationship has two main hypotheses. They are H1 hypotheses of strategic orientation with family firm performance (FFP) (Defender, analyzer, prospector, reactor), followed by hypotheses H2 of the organizational structure decisions in the relationship with FFP, as illustrated in the (table 4.13). It followed by the moderated effect hypotheses also consist of four main hypotheses they are: firstly, hypotheses H3 the moderating effects of family influence on the relationship between strategic orientation and FFP. Secondly, Hypothesis H4 the moderating effect of family influence on the relationship between organizational structure and FFP. Thirdly is the hypothesis H5 the moderating effect of external environment on the relationship between strategic orientation and FFP. Fourthly, is the hypothesis H5 the moderating effect of external environment on the relationship between organizational structure and FFP, it is illustrated in the Table 4.15).

Thereafter, the following structural model Figure 4.8 and table 4.11, and table 4.12 estimates the full structural model, which includes moderator variable (i.e., family influence and external environment).

The main point to abstract previously that Hypothesis 1 strategic orientation of the family firms of Analyzers, Defenders, Prospectors, and Reactors (Miles & Snow, 1978) significantly related to family firm Performance (FFP). The hypotheses H2 organizational structure has also a direct effect on family firm performance, as show Table 4.7.

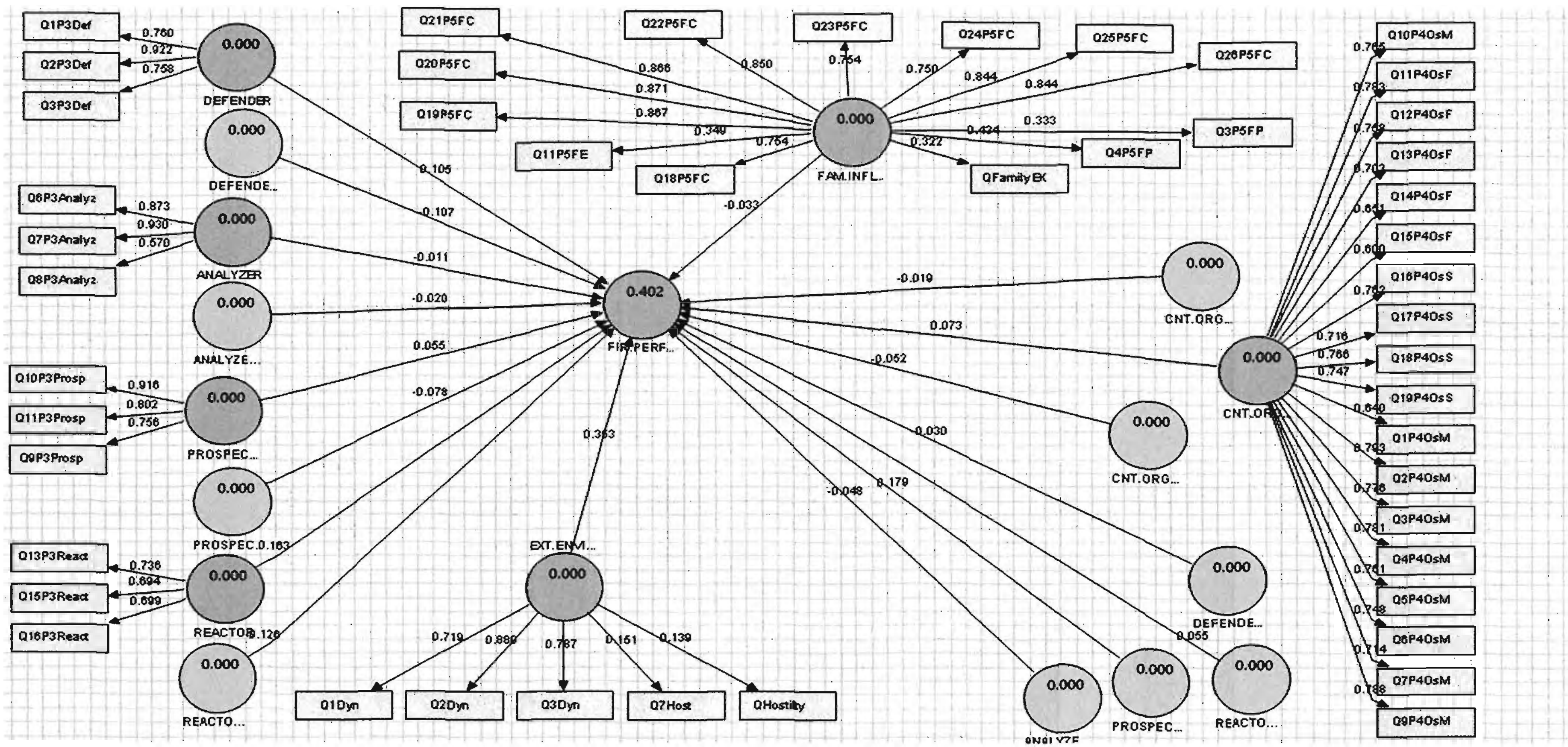


Figure 4.8
*Structural Model with Moderator*

### 4.7.1 Assessment of Variance Explained in the Endogenous Latent Variables

Additional important measure for assessing the structural model in PLS-SEM is the coefficient of determination the R squared value (Hair et al., 2011; Hair et al., 2012; Henseler et al., 2009). The nature of R-squared exemplifies the percentage of difference in the dependent variable(s) that could be explained by one or further predictor independent variable (Elliott & Woodward, 2007).

It tries to quantity the described variance of an LV comparative to its total variance. However, the acceptable level of R2 percentage be contingent on the research context (Hair et al., 2010). R-squared value was proposed of (0.10) as a minimum conventional level (Falk & Miller, 1992).

Hansmann and Ringle (2004) valued R square in PLS-SEM of approximately (0.670) are considered substantial, where R square values around .333 moderate, and R2 values around .190 weak. This study indicated the second order constructs.

This approach requires the indicators groups to be aligned and that the grouping makes sense from the theoretical and conceptual perspective. The indicators of financial performance and perceived performance could be formed into Family firm Performance (Hair Jr et al., 2013).

As specified in Table 4.8, the research model clarifies 40.2% of the overall family firm performance.

Table 4.8
*Variance Explained in the Endogenous Latent Variables*

| **Latent variable** | **Variance explained *R*-squared** |
|---|---|
| Financial Family firm Performance | 0.217 |
| Perceived Family firm Performance | 0.327 |
| Family firm Performance | 0.402 |

This proposes that the four groups of exogenous latent variables (i.e., four strategies, one organizational structure decisions, one-family influence variables, and one external environment variable) together explain 21.7% of variance in financial performance, 32.7 % of the variance in perceived performance, 40.2% of Family firm performance. Furthermore, the coefficient of determination of FFP has developed because of asserting the moderators from 32.7% to 40.2%. Hence, following Falk and Miller's (1992), Chin (1998) the criteria, the three endogenous latent variables presented acceptable levels of *R*-squared values, which are deliberated as moderate.

### 4.7.2 Assessment of Effect Size (f2)

Effect size method tests the latent variable LV effects on on the dependent latent variable, by means of variations in the R-squared. Values of .020, .150, and .350 show the interpreter variable's low, medium, or large effect in the structural model (Cohen, 1988). It was intended as the rise in R-squared of the latent variable to which the path is connected, relative to the latent variable's proportion of unexplained variance (Chin, 1998). Thus, the effect size could be articulated using the upcoming formula of (Selya, Rose, Dierker, Hedeker, & Mermelstein, 2012):

Effect size formula: f2 = (R-squared included - R-squared excluded) / (1 - R2 included). Cohen (1988) recordsf2 values of 0.02, 0.15 and 0.35 as having weak, moderate, strong effects respectively.

Table 4.9
*Effect Sizes of the Latent Variables of the Structural Model*

| **R- squared** | **included** | **excluded** | **f2** | **Effect size** |
|---|---|---|---|---|
| Defender strategic orientation | .402 | 0.388 | 0.023 | weak |
| Analyzer strategic orientation | .402 | 0.40 | 0.003 | weak |
| Prospector strategic orientation | .402 | 0.375 | 0.045 | weak |
| Reactor strategic orientation | .402 | 0.338 | 0.10 | moderate |
| Organizational structure | .402 | 0.396 | 0.01 | weak |
| Family influence | .402 | 0.382 | 0.033 | weak |
| External environment | .402 | 0.28 | 0.20 | moderate |

**Note:** Effect size: 0.02 is weak, 0.15 is moderate, and 0.35 is strong

Correspondingly, on the basis of Cohen's (1988) guideline for understanding of the effect size, the results suggest that the effects' sizes of the exogenous latent variables of strategic orientation on organizational performance are different (defender, analyzer, and prospector are weak effect's size, and reactor is medium). The organizational structure has a small effect

The family influence has a small effect, and the external environment has a moderate effect. However, it is shown that the average of moderation studies effected size is only 0.009 (Aguinis, Beaty, Boik, & Pierce, 2005). Feasibly a more optimistic standard for effect sizes might be 0.005, 0.01, and 0.025 for small, medium, and large, respectively (Aguinis et al., 2005) review.

### 4.7.3 Assessment of Predictive Relevance

The predictive relevance Q2 indicator is a quantity of the predictive weight of a block of manifest variables. A verified model has more projecting significance the higher Q2 is, and adjustments to a model may be appraised by comparing the Q2 standards. The proposed edge threshold value by Geisser (1975) and Stone (1974) is Q2 > 0. The predictive relevance's relation effect can be stately by means of the measure q2 by means of blindfolding measures.

The Stone-Geisser test of predictive relevance is frequently used as a supplementary assessment of goodness-of-fit in partial least squares structural equation modeling (Duarte & Raposo, 2010). Even though, this study used blindfolding to determine the predictive relevance of the research model. It is worth noting that according to Sattler, Völckner, Riediger and Ringle (2010) "blindfolding procedure is only applied to endogenous latent variables that have a reflective measurement model operational" (p. 320).

Reflective measurement model identifies that a latent or unobservable concept causes variation in a set of observable indicators. Hence, because all endogenous latent variables in this study were reflective in nature, a blindfolding procedure was applied mainly to these endogenous latent variables. In particular, a cross-validated redundancy measure ($Q^2$) applied to evaluate the predictive relevance of the research model (Geisser, 1974; Hair et al., 2013; Ringle, et al., 2012 & Stone, 1974). The $Q^2$ is a criterion to a measure how well a model predicts the data of omitted cases (Chin, 1998; Hair et al., 2014). According to Henseler *et al.* (2009), a research model with *Q2* statistic (s) greater than zero is considered to have predictive relevance. Additionally, a research model with higher positive *Q2* values suggests more predictive relevance. Table 4.10 presents the results of the cross-validated redundancy $Q^2$ test.

Table 4.10
*Cross-Validated Redundancy*

| **Total** | **SSO** | **SSE** | **1-SSE/SSO** |
|---|---|---|---|
| Family firm financial performance | 3780.00 | 3447.744 | 0.0879 |
| Family firm perceived performance | 945.00 | 833.5944 | 0.1179 |
| Family firm performance | 4725.0000 | 4047.517 | 0.1434 |

**Note:** *$Q^2$ >zero is acceptable to predictive.*

As shown in Table 4.10, the cross-validation redundancy measure $Q^2$ for all endogenous latent variables were above zero, suggesting predictive relevance of the model (Chin, 1998; Henseler et al., 2009).

### 4.7.4 Testing Moderating Effect

Refers to the previous figure 4.7 the present study is using Partial Least Squares Structural Equation Modeling to detect and estimate the strength of the moderating effect of family influence (Astrachan et al., 2002). In addition to external business environment (Khandwalla, 1973; Miller and Friesen, 1978 & Wonglimpiyarat, 2005) on the relationship between Strategic orientations (Gnjidić, 2014; Miles et al., 1978). With the organizational structure decision making (Chrisman et al., 2009). Table 4.11 and table 4.12 shows the estimates of the relationships of family influence and external environment interaction relationship with family firm Performance. The (Appendix M) shows the model total effect.

Generally, for the commitments of SEM, precisely, moderation denotes to a condition that contains three or more variables, such that the existence of one of those variables modifications the relationship between the other two. In other words, moderation occurs when the relationship between two variables is altered at all levels of the third variable (Fritz, 2015). Furthermore, to ascertain the strength of the moderating effects, the present study applied Cohen's (1988) guidelines for determining the effect size. Cohen (1988) has recommended that f2 effect sizes of 0.02 is small, 0.15 is medium, and 0.35 is large. However, Aguinis et al. (2005) has revealed that the middling effect size in investigations of moderation is only 0.009. Possibly a more realistic standard for effect sizes might be 0.005, 0.01, and 0.025 for small, medium, and large, respectively. These values are "optimistic" given the (Aguinis et al., 2005) review. However, Table 4.11 shows the estimates to examine the moderating effect of the relationship between family influence exogenous and

Family firm performance endogenous latent variable. The findings of family influence moderating effect hypotheses of H3: to answer the research question does family influence moderate the relationship between Strategic Orientations (SO) and family firm performance. In order to examine the moderating effect, the study proposed the one hypothesis H3: FI moderates the relationship between SO and family firm performance.

Table 4.11
*Moderating Effects of Family Influence (FI)*

| Hypotheses | Moderating | Original Sample (O) | SE | T Statistics | p- value |
|---|---|---|---|---|---|
| H3: FI moderates the relationship between SO and FFP. | H3a: DF * FI -> FFP | -.1598 | 0.062 | 2.601 | .0055** |
| | H3b: AN * FI -> FFP | -.1427 | 0.086 | 1.656 | .05073* |
| | H3c: PR * FI -> FFP | .0102 | 0.094 | 0.1094 | .45658 |
| | H3d: RE* FI -> FFP | -.1632 | 0.095 | 1.707 | .0457** |
| H4: FI moderates the relationship between OS and FFP. | H4: OS* FI -> FFP | -.4060 | 0.299 | 1.354 | .0897* |

**Note:** In one tail test significant p< 0.01***, p<0.05**, p< 0.1*. For 90%, 95% and 99% confidence level the t- statistics level is 1.645, 1.96, and 2.575 respectively. SO= strategic orientation, AN=Analyzer, OS = centralized organization structure, DF=defender, EE= external environment, FI= family influence, FFP = family firm performance, PR=prospector, RE= reactor, SE= standards error. In confirmatory model p<0.05**.

In the table 4.11 results H3a of defender's strategic orientations (SO) moderated by family influence with FFP showed that the β (-0.1598), T value (2.601) is supported as a moderator in a negative direction.

The figure 4.9 shows that high defender strategic orientation is stronger with low family influence than it is in high family influence. The results H3b of analyzers firms moderated by family influence in the relationship with family firm performance, the β (-0.1427) T value (1.656) is supported as a moderator.

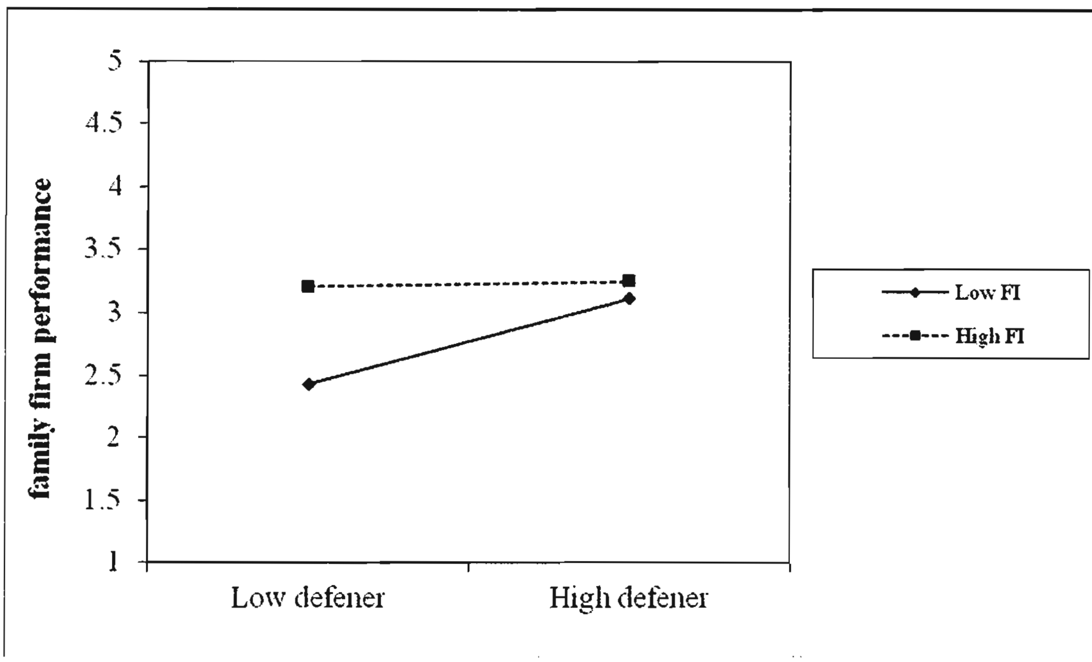


Figure 4.9
*Interaction Effects of FI and Defender SO*

The figure shows, in the low effect of family influence there is a low effect on firms of analyzer's strategic orientation, at the same time, there is low effect on analyzer's strategic orientation when there is high effect of family influence.

It is different from H3c of prospectors is not moderated by family influence significantly in the relationship with FFP, where the β (.0102), T value (0.1094). However, the result of the hypothesis H3d reactor in the relationships with family influence as a moderator and family firm performance is supported, where the β (-0.163), T value (1.707) with $p > 0.05$.

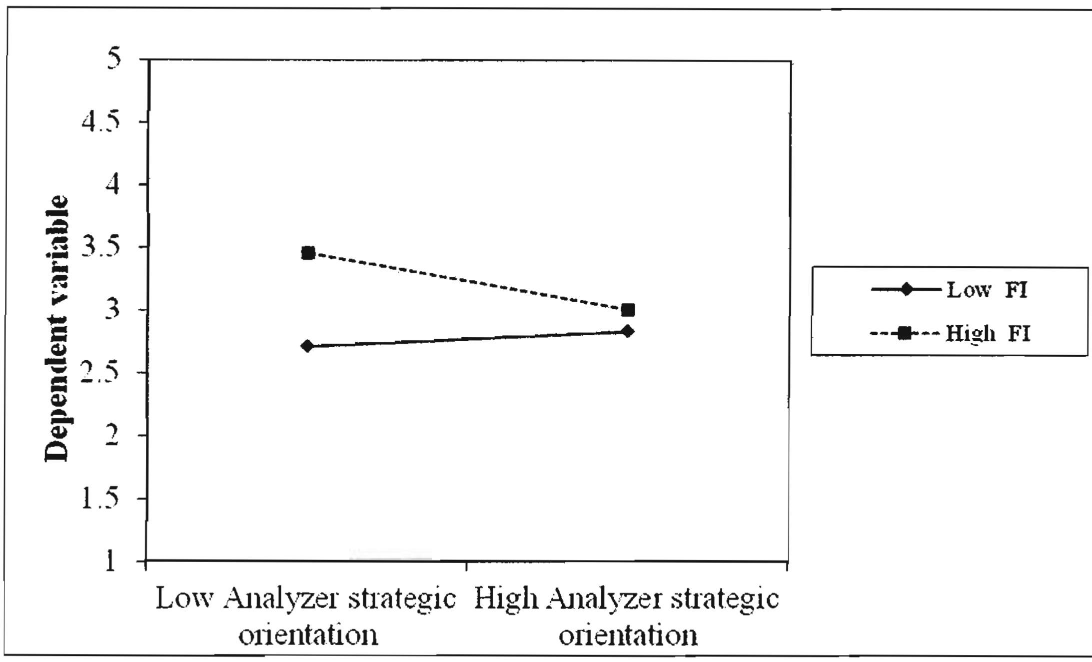


Figure 4.10
*Interaction Effects of FI and Analyzer SO*

The figure 4.10 show that firms with the reactor strategic orientation will be a stronger (negative) relationship with lower family influence, and would be higher in higher family influence.

The result of H4 of family influence as a moderator in the relationship between organizational structure decision's relationships and FFP, results show that is β (-0.4060), and T value (1.354) is supported at $p > 0.01$.

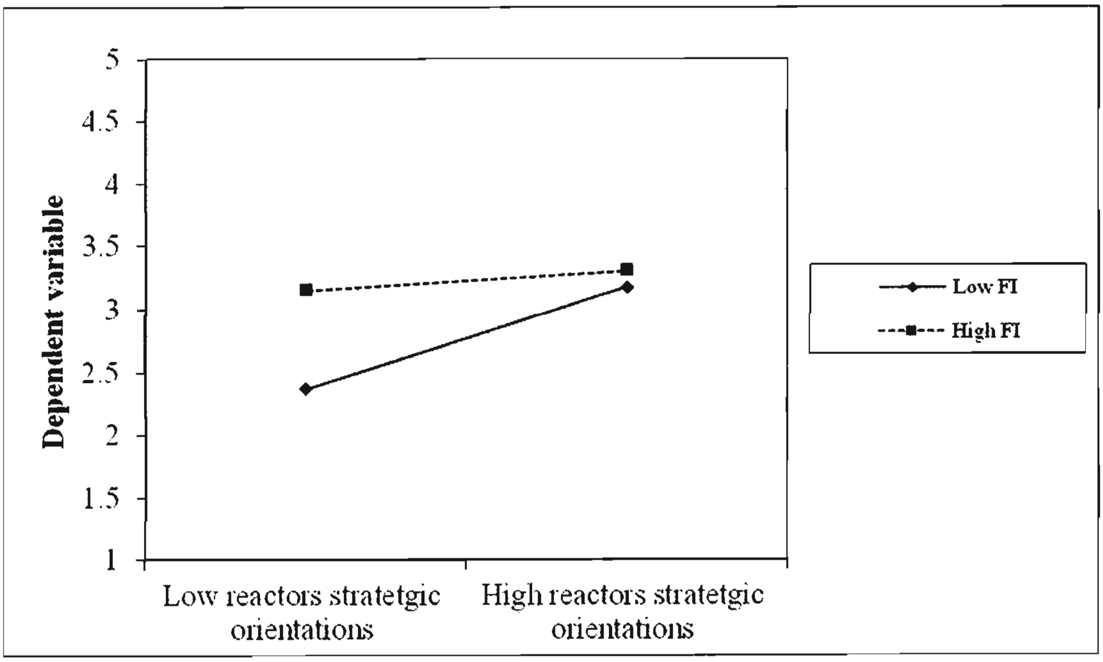


Figure 4.11
*Interaction Effects of FI and Reactor SO*

Figure 4.12 show that when the family influence is low, the organizational structure of centralized decisions will be lower in management, financial, strategic decisions.

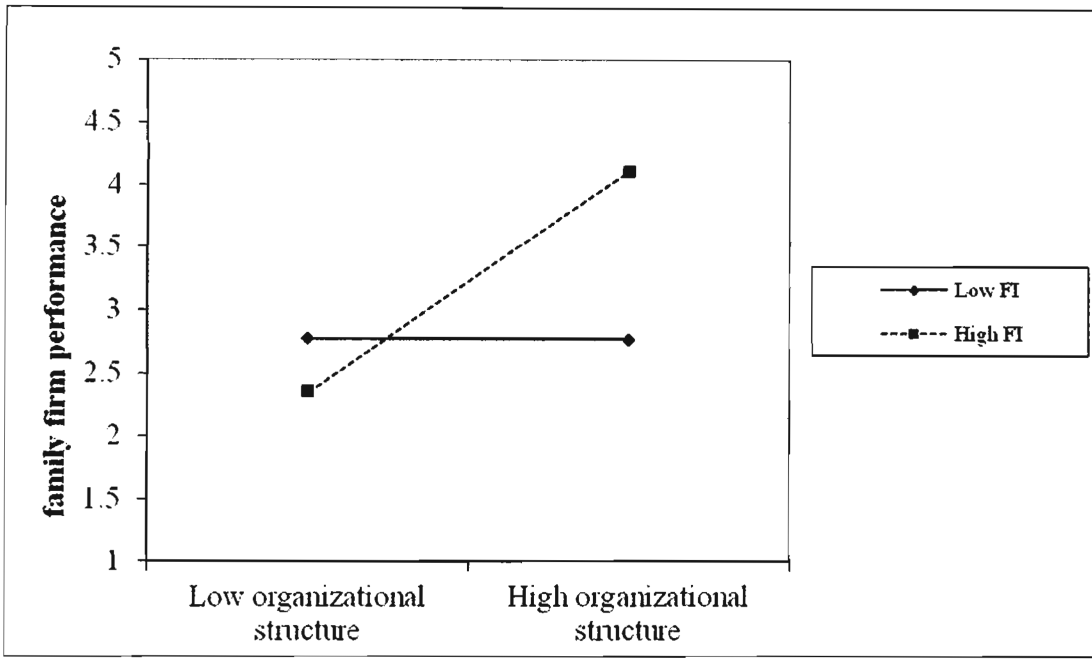


Figure 4.12
*Interaction Effects of FI and OS Decisions*

In the following table 4.12, the analysis of the indirect relationships through the moderating effects of external environment in the relationship hypotheses (H5) between strategic orientation of and family firm Performance, and the hypothesis H6 to examine of the moderated effects of external environment in the relationships between organizational structure and FFP.

Table 4.12
*The Moderating Effects of External Environment (EE)*

| Hypotheses | Moderating | Original Sample (O) | SE | T statistics | p-value |
|---|---|---|---|---|---|
| H5: EE moderates the | H5a: DF * EE -> FFP | -0.142 | 0.086 | 1.656 | .0507* |
| relationship between | H5b: AN * EE -> FFP | -0.004 | 0.061 | 0.071 | .4717 |
| SO and FFP. | H5c: PR * EE -> FFP | 0.144 | 0.091 | 1.573 | .0597* |
| | H5d: RE * EE -> FFP | 0.098 | 0.095 | 1.029 | .1531 |
| H6: EE moderates the relationship between OS and FFP. | H6: OS * EE ->FFP | -0.079 | 0.208 | 0.382 | .3516 |

Note: In one tail test significant p< 0.01***, p<0.05**, p< 0.1*. For 90%, 95%, 99% confidence level the t- statistics level is 1.645, 1.96, and 2.575 respectively SO= strategic orientation, AN=Analyzer, OS = centralized organization structure, DF=defender, EE= external environment, FI= family influence, FFP = family firm performance, PR=prospector, RE= reactor, SE = standards error.

The result of Hypotheses H5a, show that defenders firm is moderated by external environment in the relationship with family firm Performance hypothesis shows that β (-0.1427) and T value (1.656), p< .01 is supported significantly.

The figure 4.13 shows that lower of external environment effect through dynamism and hostility will lower defenders strategic orientations than when environment effect is high.

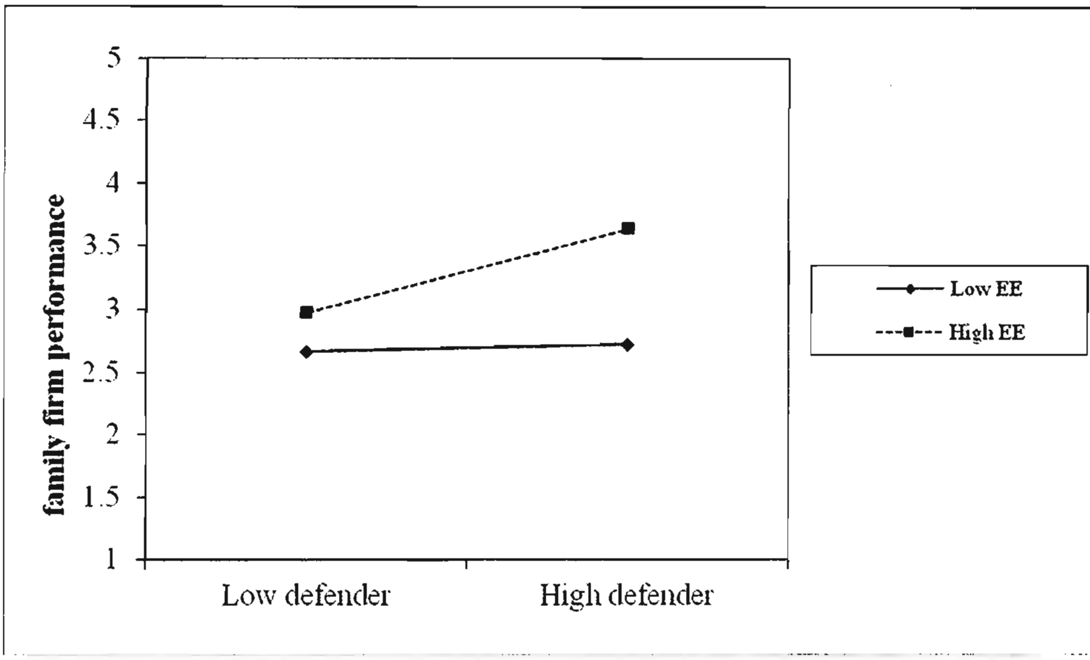


Figure 4.13
*Interaction Effects of EE and Defender SO*

The opposite result of the Hypothesis H5b, where analyzer's strategic orientations firms are not moderated significantly the relationship with family, firm performance is not moderated significantly by external environment. The standardized coefficient value of the β (-0.0043) as well as T value is (0.0711), and $p < .01$, but it is a moderator because it has more weakened the relationship between the analyzer strategic orientation of the firm in its performance than it was in the direct relationship.

The hypotheses H5c, the prospectors' strategic orientations firms are moderated by external environment positively in the relation with family firm performance significantly, where the (0.14448) T value is (1.57346), within p value< 0.10. The Figure 4.14 show that when the environment has high change. The present will high prospector strategic orientation more than when it was in lower external environment change.

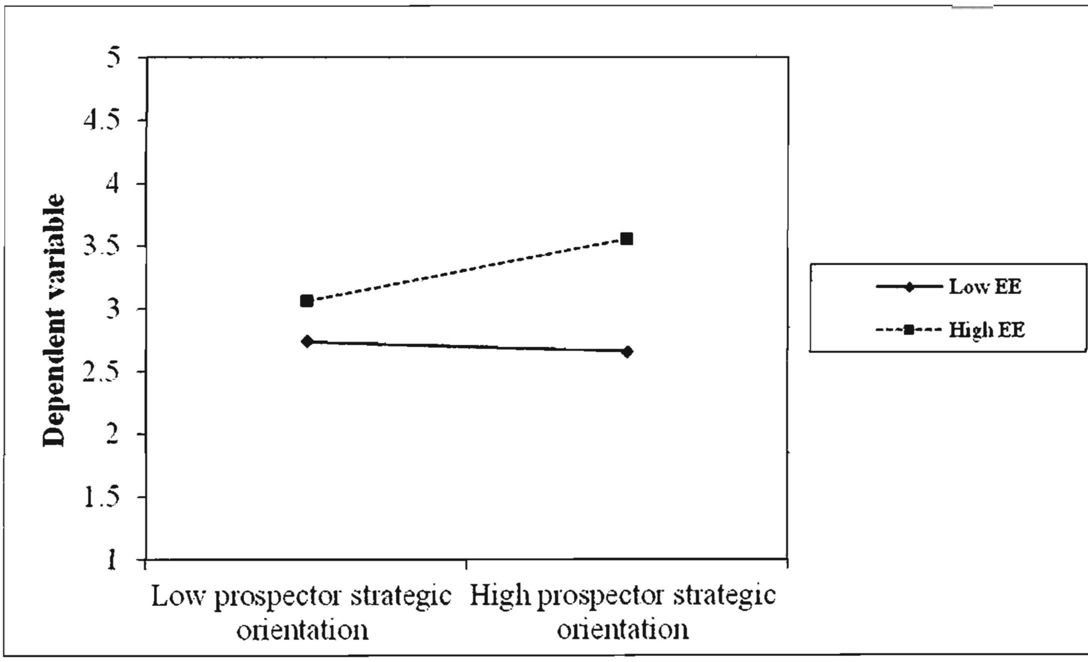


Figure 4.14
*Interaction Effects of EE and Prospector SO*

**Note**: EE external environment, SO strategic orientation

Nevertheless, the hypothesis H5d showed that firms with reactor's strategic orientations are not moderated significantly by external environment in the relationships' with family firm performance where the β (0.09824), and the T value is (1.02933).

The question of how external environment effects organizational structure decisions in the family firm is the subject of the hypothesis H6. Results show no significant relationships were β (-0.079737) T value (0.382149).

### 4.7.5 Determining the Strength of the Moderating Effects

The concluded results of the strength of the moderating effects of family influence and external environment on the two variables of strategic orientation, organizational structure decisions in the relationship with family firm performance. Scholars proposed that any level even slight interface influence could be important under extreme moderating situations (Chin et al., 2003). In this manner, Cohen's (1988) effect sizes formulas were used, and effect size calculated. Further, the strength of the moderating effects can be assessed by comparing the coefficient of determination (R-squared value) of the main effect model with the R-squared value of the full model that incorporates both exogenous latent variables and moderating variable (Henseler & Fassott, 2010; Wilden, Gudergan, Nielsen, & Lings, 2013).

Thus, the strength of the moderating effects could be expressed using the following formula (Henseler & Fassott, 2010) and (Cohen, 1988).

$$f^2 = \frac{R^2_{AB} - R^2_{A}}{1 - R^2_{AB}}$$

In the formula of the effect size, R-squared "AB" = R-squared value of the full model that incorporates both exogenous latent variables and moderating variable, where R-squared "A" is for the model without the moderator.

Moderating effect sizes (f2) valued of 0.02 as weak, effect sizes of 0.15 as moderate was considered while the effect sizes above 0.35 may be regarded as strong (Cohen, 1988; Henseler & Fassott, 2010a). However, according to Chin, Marcolin, and Newsted (2003), an effect size of low value does not mean that the moderating effect is unimportant.

The slight interaction even can be meaningful under moderating conditions, if the resulting beta variations are meaningful, where it is important to take these conditions into consideration (Chin et al., 2003, p. 211). The difficult to detect the moderated effect was known (Shieh, 2008). 30 years review 1969-1998 of the size of moderating effect show that the median observed effect size is only 0.002 (Aguinis et al., 2005). Following Henseler and Fassott's (2010) and Cohen's (1988) rule of thumb for determining the strength of the moderating effects, Table 4.13 suggesting that the moderating effect was a small effect size for family influence moderator and medium effect size for external environment moderator respectively (Henseler, Wilson, Götz, & Hautvast, 2007).

Table 4.13
*Strength of the Moderating Effects Based on Cohen's (1988)*

| R- squared | included | excluded | f2 | Effect size |
|---|---|---|---|---|
| Family influence | .402 | .383 | 0.033 | small |
| External environment | .402 | 0.28 | 0.20 | medium |

### 4.7.6 Testing the Control Variable

In accumulation to the analysis of the proposed relations between exogenous and endogenous variables as demonstrated in the structural model. This study defined three control variables. Specifically, the firm size, the industry type and firm age (Please see Chapter 2.7).

The firm size connected with the business strategy, to show which strategic orientation small, medium and large firms used. Furthermore, sample firms pursuing reactor and defender strategy tend to be smaller and younger whereas firms pursuing a prospector and analyzer strategy tend to be larger and older (Figure 4.15and Figure 4.16).

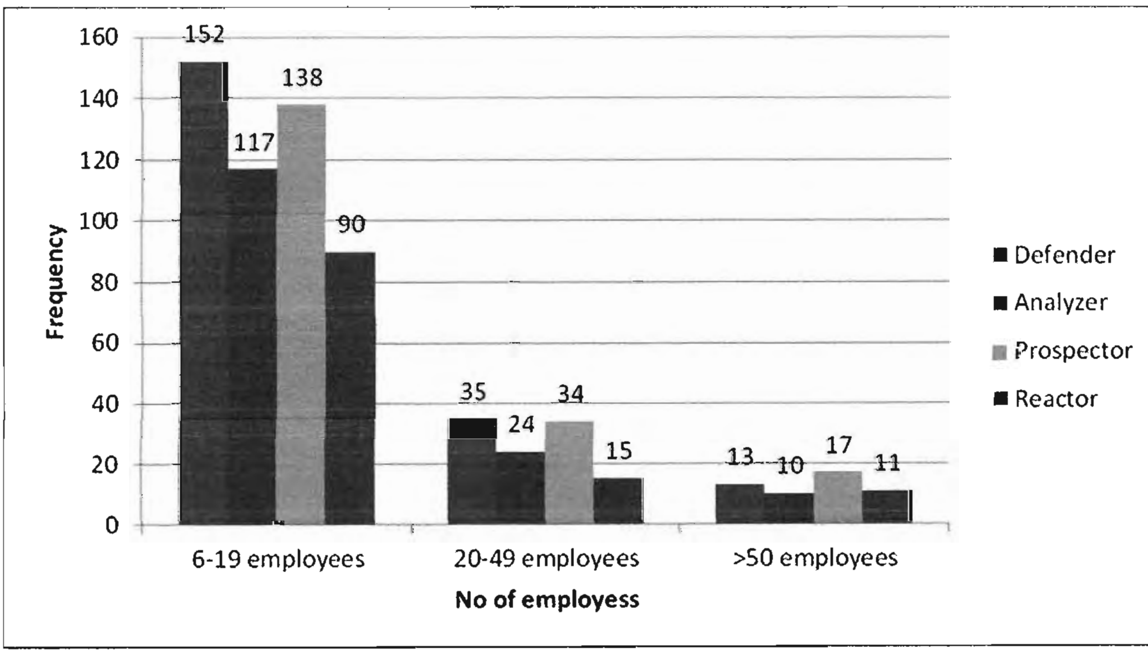


Figure 4.15
Sample by Strategy and Number of Employees Categories.

The firm age represents the family firm experience. The firm age measured by the number of years in the same kind of business. Studies believe that 40 percent of the new companies last less than 10 years where the life expectancy of all firms regardless of the size is only 12.5 years (Geus, 1997).

It is a further aspect was investigated is as part of the questionnaire in this study. In the descriptive analysis, in the following Figure 4.16 based on, the link between the firm age and the type of strategy they use. The results showed that the average age of the family firm is 21.30 years. Moreover, the highest frequency average age is 18 years. In addition, 57.4 % of the firm's age is less than 20 years within most.

They use reactor strategy. In the medium aged firms, they use defender and prospector strategies, where 3.5 % of the companies' age are 44-45 years. 3.2 % of the firm's age is between 47-50 years. In addition, the highest age of these firms is 78 years with 0.3 percent of the sample, where the highest aged firms tend to use the analyzer's strategic orientation.

Moreover, as shown in Figure 4.16, the majority of firms (95.6%) are less than 50 years old. As much as 4.4 percent (14 firms) is more than 50 years old. Industry type.

In the family firm or industry type, the majority, namely 33.7 % are trade companies, in most; they work in retail, wholesale, construction, and raw materials. Manufacturing firm represents 32.7% of the sample, refers to manufacturing companies. In most manufacturing organizations, are working in the fields of construction and building, besides food, and chemicals industry. In addition to 25.7% are services; they work in accommodation and food services, followed by 7.9 are agricultural firms.

Control variables analyzed such as other independent variables in a process model. However, they are different from other variables in the theoretical framework that are not in the awareness of the study consideration.

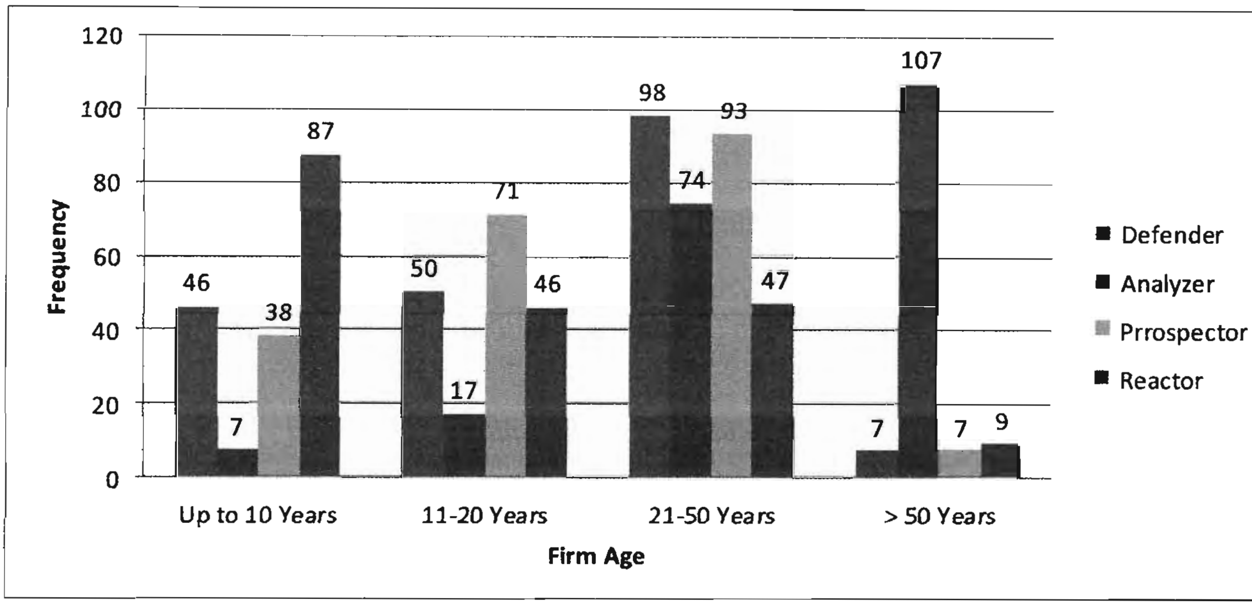


Figure 4.16

*Sample by Age and Strategy Type used in Family Firms in Palestine*

Control variables were intricate with the model in order to assess whether the original conceptualized exogenous variables' respectful for any significant path relationship rather than any of the control variables.

With respect to PLS-SEM, in the purpose to examine the effects of the three control variables on the family firm performance (FFP), the three control variables were included in the measurement model and linked to the family firm performance construct. Following, the bootstrapping technique in the SmartPLS 2.0 software package tested with matching settings as for the examining of hypothesized path relationships of the structural model in the previous section.

Built on a significance level of $p < 0.01$, results show that there is the path between firm size in the relationships with family firm performance, and significant relationship between firm age or experience and family firm performance on a significant level of $p < 0.1$, where there is no relationship between firm types (type of industry) and family firm performance. Therefore, the two of the control variables significantly accounts for the variance of the construct.

The following (Table 4.14) presents the results of the testing of control variables (Please see Appendix N) for drawing of the measurement model, including control variables.

Table 4.14
*Results of Testing of Control Variables*

| Path | Path coefficient | SE | T statistics | *P*-value |
|---|---|---|---|---|
| Firm Size > FFP | .0999 | .0623 | 3.037 | 0.00158 |
| Firm Age > FFP | -.0873 | .0623 | 1.4009 | .0824 |
| Firm Type > FFP | .0276 | .0415 | .644 | .2606 |

**Note:** FFP: Family firm performance

In addition to the testing of proposed path relations, the three control variables, specifically firm size, firm type and firm age were tested to assess any potential contribution. The firm size frequently has been related to the family firm performance.

However, the significant relation between firm size and firm age with family firm performance were found. Supported by literature, an explanation for the availability of such a relation might rise from the different effects related to the firm size and age. Which were proposed as firm characteristics that effect the firm strategic orientation, and it effects the industry barriers entry positively and negatively (Baack & Cullen, 1994; Hamel, 2007; Hofer & Schendel, 1978), where Miles and Snow (1978) supposed firm type in terms of industry and firm size. On the effect on firm performance, the large firm size for example, Murphy et al (1997) persuade that firm has more efficiency in assets than small and medium firms and in equity, sales, profit, liquidity, the success, achieve the firm objectives, to be competitive, increased the firm's market share, and the firm's leverage. It is what makes the firm more profit (Lee, 2006).

The firm size is linked to the ownership percentage that empirically effects the family firm performance (Chrisman, Chua, & Litz, 2003; Chrisman, Chua, & Steier, 2003). Studies have debated this effect of no relationships (Veugelers & Cassiman, 1999); of has significant relationship with firm performance measurements through its effects on inputs of business facilities, people and money (Tippins & Sohi, 2003).

Empirically, it is found relationships between flat organizational structure of different sizes and strategic potions, decision making and responding to environmental threats and changes (Hamel, 2007); alternatively a significant relationship between the firm size and perceived success in TQM program, and has it effects on strategy's implementation success and failure (Walsh, Ye, & Bushnell, 2002). By contrast, it found that firm size has no effect on business strategies in

Belgian firms, where larger firms are analyzers, small firms are mostly reactors, and defenders and prospectors firms are located in the middle size (Smith, Guthrie, & Chen, 1989). The relationship of size and organizational structure, it was found that small firms have a centralized organization structure while large firm prefer the decentralized decisions (Miller, Dröge, & Toulouse, 1988). Furthermore, the relationship with firm age, it was found that the old Canadian family firms paid less on R&D and more scarcely in patents (Morck, Nakamura, & Shivdasani, 2000). While it is found no relationship between the firm experience and firm strategic orientation (McCann III, Leon-Guerrero, & Haley, 2001).

### 4.8 Summary of Findings

In this chapter, it presents the justification for using PLS path modeling to test the theoretical model. Following the assessment of significance of the path coefficients, the key findings of the study.

Generally, family influence and external environment have provided considerable support for the moderating effects on the relationships between strategic orientation, organizational structure decisions and Family firm performance. Having presented all the results, including main effects and moderating effects in preceding sections, Table 4.15 summarizes the results of all hypotheses tested.

Table 4.15
*Summary of Hypotheses Testing*

| | The Tested Hypotheses | Result | p-value |
|---|---|---|---|
| H1a | There is a positive significant relationship between defender strategic orientation and family firm performance. | Supported | .0004*** |
| H1b | There is a positive significant relationship between analyzer strategic orientation and family firm performance. | Supported | .0633* |
| H1c | There is a positive significant relationship between prospector strategic orientation and family firm performance. | Supported | .0244** |
| H1d | There is a positive significant relationship between reactor strategic orientation and family firm performance. | Supported | .0003*** |
| H2 | There is a positive significant relationship between centralized organizational structure and FFP. | Supported | .05080* |
| H3a | Family influence moderates the relationship between defender strategic orientation and family firm performance. | Supported | 00552** |
| H3b | Family influence moderates the relationship between analyzer strategic orientation and family firm performance. | Supported | .05073* |
| H3c | Family influence moderates the relationship between prospector strategic orientation and family firm performance. | Not supported | .45658 |
| H3d | Family influence moderates the relationship between reactor strategic orientation and family firm performance. | Supported | .04574** |
| H4 | *Family influence moderates the relationship between* centralized organization structure and family firm performance. | *Supported* | *.08971** |
| H5a | External environment moderates the relationship between defender strategic orientation and family firm performance. | Supported | .05073* |
| H5b | External environment moderates the relationship between analyzer strategic orientation and family firm performance. | Not supported | .471746 |
| H5c | External environment moderates the relationship between prospector strategic orientation and family firm performance. | Supported | .05974* |
| H5d | External environment moderates the relationship between reactor strategic orientation and family firm performance. | Not supported | .15318 |
| H6 | Eternal environment moderates the relationship between centralized organization structure and family firm performance. | Not supported | .35169 |

**Note**: In one tail test significant p< 0.01***, p<0.05**, p< 0.1*. For 90%, 95%, 99% confidence level the t- statistics level is 1.645, 1.96, and 2.575 respectively. Confirmatory p<0.05**.

# CHAPTER FIVE
# DISCUSSION, RECOMMENDATIONS AND CONCLUSION

## 5.1 Introduction

This chapter discusses first the research findings offered in the foregoing chapter by connecting them to the theoretical views and preceding studies related to strategic orientation. Specifically, the initial section of the chapter summarizes the findings of the study, followed by discussing the findings in the light of underpinning theories and previous studies. Next, the theoretical, methodological and practical suggestions of the study presented, and then it followed by the limitations and suggestions for future research directions.

## 5.2 Executive Summary

The main objective of this study is to examine the effects of business strategic orientation on family business performance. In other words, the study examined the direct effects of Strategic Orientations and Organizational Structure, and the moderating effects of Family Influence and External Environment on Family Firm Performance. Overall, this study has succeeded in advancing current understanding on the key determinants of family business performance specifically in turbulent, dynamism and hostile environment.

The PLS path model showed that family firm performance results were significantly related to the defender, prospector as well as reactor strategic orientations while family influence moderated 3 out of 5 relationship between the stated relationship.

Specifically, it moderated relationship between defender's strategic orientations, analyser and reactor strategic orientations significantly. While external environment moderated the relationships between strategic orientations and family firm performance, specifically with defenders and prospectors firms.

### 5.3 Discussion

The main contribution of this research is the empirical evidence of the family business performance among the political occupied territories' environments. Family firms in Palestine are important because of their enormous economic contributions to the nation's economic, labour force and gross domestic product. Thus, it is necessary that they implement appropriate strategies to improve their performance and ensure their survival. Especially, in this turbulent, unstable environment due to the compulsory Israeli occupation controls over different resources in Palestine.

This current study found that, the strategic orientations, organization structure, family effects, and external environment dimensions have positive and negative direct and indirect effects on family firm performance in Palestine. It is in the line with previous studies (e.g., Freeman, Styles & Lawley, 2012). However, DeSarbo et al. (2005) argued that the strategy types of firms' business could not be as pure as what Miles and Snow expected, and each type characteristics could differ across industry sectors (Hambrick, 1983), locations (Minai & Lucky, 2011), and countries (Goldszmidt, Brito & Vasconcelos, 2011).

This section discusses the study's findings in the light of related theories and results of earlier researchers. The discussion organized according to the earlier developed research questions.

### 5.3.1 Direct Influence of SO on Family Firm Performance

The initial research question was whether the firms of defender, analyser, prospector, and reactor strategic orientations (SO) leads to a practical performance in the family firms. In line with this research question, the preliminary objective of the research is to find the positive substantial relation amongst the family firms' and strategic orientations. Strategic orientation is a major outline in the business' strategy where it influences firm decisions, leading its efforts as well its investments assessments (Slater, Olson & Hult, 2006b). Thus, it redirects the firm's selections and the method of relating with the external environment when doing business, as well how to reconfigure, usage or obtain sources in order to generate dynamic competences (Zhou & Li, 2010). Therefore, Okumus (2001) stressed that strategic orientation are general strategic direction and there is a need to design new initiatives for sustainability.

As specified earlier, Miles and Snow (1978) has suggested four strategic orientations namely defender, prospector, analyser and reactor. The typology explains how firms describe and process their market- product fields. It includes entrepreneurial problem; building, arrangement, and procedures in handling the administrative and technical problems. It is believed that superior accomplishment be contingent on the quality of the 'fit' amongst the organization's strategic orientation, and its physical, human, and firm resources (Miles and Snow, 1978; 1984). Thus, as Miles and Snow suggested, firms with different strategic orientations will have advantage from other methods in strategy creation (Blackmore, 2013). Hence, this study hypothesized that there a positive and significant relationship between strategic orientation of the firm using Miles and Snow (1978) strategies and family firm performance.

To reach this end, four main research hypotheses were formulated and tested using the PLS path modelling. Firstly, consistent with a Hypothesis 1, the result of Hypothesis 1a revealed a significant positive between defender strategic orientation and family firm performance. This mean that families in Palestine prefer to keep on one product and one market to develop the FFP. Defenders focus on trade or service firms that work as agents of Israeli or foreign companies, or they work on traditional products. The results of Hypothesis 1b revealed a significant negative relationship between analyser's strategic orientation and family firm performance. Analysers focus on new industries that use new dynamic technology, which they produce different standards and specifications for local and international markets. These family firms adaptive the external environment changes, which they affected by economic costs and international markets requirements and prices. These changes has effect negatively analyser's firms. In addition, the results of Hypothesis 1c revealed a significant positive relationship between prospector strategic orientation and family firm performance. Prospectors work to open new markets and to produce new products. These firms used to deal with differentiation strategy, beside niche markets. While the result of Hypothesis 1d revealed a significant positive relationship between reactor strategic orientations and family firm performance.

Reactors firms concentrated in constructions and agricultural products. They change their structure and products depends on external demands. They positively avoid reduce risks and take opportunities in the relationships with the situation. The results are consistent with the Miles and Snow typology (1978) and other previous studies (Davig, 1986; Kaehler et al., 2014; Kiptui, 2014).

### 5.3.2 Direct Influence of OS on Family Firm Performance

Organizational structure (OS) refers to how individual and team works within a coordinated organization. To achieve organizational goals and objectives, individual work needs to be coordinated and well management. It refers to the outline of a company's framework and guidelines for managing business operations. There are two types of organizational structures found in a business environment, which are centralized and decentralized. Professional and entrepreneurial management tend to instate different organizational structure. Chandler (1990) proposed that the concept that most clearly defines an organizational structure is its level of centralization. Family business owners are usually associated with centralized form of organizational structure companies (Bloom & Reenen, 2010), where the organizational structure is an extension of the owner's personality, management style and characteristics. Empirically, Bloom and Reenen (2010) and Wait and Wright (2010) found that major decisions are more likely to be centralized in family-owned firms, as compared to their non-family counterparts. Decision-making is a critical element in the operation of a firm, and their decision-making protocols are certainly different, which is an observable considerable differences between family and non-family firms.

Henceforth, this study hypothesized that there is a positive and significant relationship between organization structure and family firm performance. The findings revealed that there is a positive significant relationship between centralized decision-making in organizational structure and family firm performance, which includes financial, operational, and strategic decisions. This is further supported by the descriptive results as in figure 4.9 which indicates that decision-making in operations, financial and strategic are mostly centralized, and in large extend, they are in the hands of the businesses' owners. Centralized organizational structure in Palestine can achieve best performance in operational, financial and strategic decisions. The can reduce the risk of these decisions and they efficiently reduce the cost of time. As an example, Barney (1991) stated that cost efficiency would increase the firm performance.

These results are consistent with the previous studies (Nisar et al., 2012; Sablynski, 2012) which supports the RBV theory propositions which emphasises that organization structure as a resource that directly affects the organization competitiveness (Barney, 1991). The notion that an organization structure is a contingent factor in firm performance is consistent with the results (Podonly et al., 1996). Empirically, it found that organizational structure and organizational performance have a direct relationship (Patel, Eddleston & Kellermanns, 2011), and indirect relationships (Sirmon & Hitt, 2003), a negative effect of structure on organizational effectiveness (Zheng, Yang & McLean, 2010) and no relationships (Sablynski, 2012).

### 5.3.3 Moderating Effect of FI and Family Firm Performance

This part of the chapter has organized depends on the logic and the hypotheses. In the first stage, the study showed the direct relationship between strategic orientation, family influence (FI), and organizational structure with family firm performance. Logically, stage one is important in order to measure the effect size and direction of the integrated moderator. In the second stage, we propose the moderator relationships effect of family influence as the hypothesized H3 of family influence on strategic orientation and family firm performance, and H4 of family influence between organization structure and family firm performance.

Results of the first-stage show that strategic orientations and organizational structure moderated by the family influence. According to (Chin et al., 2003), a low effect size does not necessarily mean that the underlying moderating effect is insignificant. "Even a small interaction effect can be worthwhile under extreme moderating conditions, if the resulting beta changes are relevant, then it is important to take these conditions into account" (Chin et al., 2003, p. 211).

The moderating effects based on Cohen's (1988), Subhash Sharma, Durand, and Gur-Arie (1981) and Sharma et al., (1981) who proposed three kinds of moderators depends on. One kind of moderators is an equalizer "homologiser" that upsets the strength of the association; the other two kinds called the "would-be" moderator and the clean "pure" moderator.

The equalizer does not act with independent predictor variable, it is not associated significantly with the independent predictor and dependent criterion variable, and it stimuli the strong point of the linkage between the independent predictor and dependent criterion variables. The second is the "would-be" mock moderators interrelate with independent predictor variable, and it connected to both, the dependent and independent variables or to one of them. The third is the variable of pure moderating. It relates with independent predictor variable, but it has not correlated with the independent predictor and or with dependent criterion variable. The latter two styles modify the association form in the middle of the dependent criterion and the independent predictor variable. The following figure describes as described in Sharma et al. (1981).

Consistent with literature, results of this part organization, there are significant relationships of family influence, strategic orientations, and organizational structure with family firm performance.

Over the last periods, family business studies dominated beside considerable efforts to explore how the family involvement can enhance the business performance. Some results indicated positive associations (Patel et al., 2011). A recent review of Gomez-Mejia et al. (2011) revealed mix of results empirically, but on average family, influence utilizes a positive effect on firm performance.

From a practical standpoint our study, exhibits the complexity of family firms. It considered family influence is seen in the overlap of business and family values (Essen, Carney, Gedajlovic, & Heugens, 2015; R Tagiuri & Davis, 1982). Family influence variable included at least three important dimensions of family influence E-PEC: Power, Experience, and Culture (Klein et al, 2005). It is within this context that Chrisman et al. (2012) concluded that the family influence scale is a hopeful outline for describing a continuous scale of companies giving to the accesses of influence method. Astrachan et al. (2002) tries to group the factors of participation approaches beside with the fundamental of core approach, in order to determine how family influences the business. The family Power denotes to authority used over financing the business, for example, stakes held by the family, foremost and monitoring the business by management, governance the participation by the family. The Power is dealings the percentage of top administration locations, and board seats held by the family. Experience denotes to the expected knowledge that the family brings on the business, the additional generations, and the longer opportunity for distinct family memorial. Culture denotes to standards, morals and promise employs the family business (Carlock & Ward, 2001).

### 5.3.4 Moderating Effect of FI between SO and FFP

Firstly, we tended to address the family influence effects. To succeed in this end, four hypotheses were formulated and tested using the PLS path modelling. To begin with, a family can influence a business via the extent and quality of its ownership, governance, and management involvement. Consistent with Hypothesis H3 of family influence, the sub hypothesis H3a result shows that family influence moderates the relationships between defender's strategic orientations and family firm performance significantly and negatively. FI effects one market or one product, which effect the FFP negatively. Because the use of one product in one market reduce the firm's capabilities to use its resources efficiently, which reduce the firm's competitive advantages and performance. The hypotheses H3b result, shows that family influence moderates the relationships between the analyser strategic orientation and family firm performance positively and significant, whereas the family can use its abilities and resources well. For example, considering new markets and products using R & D could help analysers' firms to reduce the new entrants' bad effects, as analysers' firms are contingent to Palestine external environment changes. H3c result shows that family influence did not moderate the relationships between prospector strategic orientation and family firm performance. However, the hypotheses H3d result shows that family influence moderates the relationships between the reactor strategic orientation and family firm performance significant negatively. Because reactors' firms have no focus on product or market with no permanent structure and contingent to environment changes in Palestine. These firms face work as subcontractors to other Israeli and Palestine firms; they are not stable and face high competitiveness with local and foreign organizations. These firms' resources are very easy to imitable which negatively affect its performance.

The results of the family influence effect size (f2 = 0.033) suggesting that family influence affected these strategic orientations positively or negatively when it has a small effect on the family firm performance. The results are in coherent with the previous studies. They have explored the direct impact of family involvement in the business on firm financial performance (Anderson & Reeb, 2003; Sacristan-Navarro, Gomez-Anson & Cabeza-Garcia, 2011). The others investigated showed how board composition affects the performance of family firms (Chen, Gray & Nowland, 2013), In others, for instance Faccio and Lang (2002) examined the indirect influence of a stakeholder through the product of two ownership stakes along the chain of owning companies or family members.

In terms of the study context, Nahhas Jr, Ritchie and Nakashian (1997) found that a Palestinian family firm, in term of governance and structure systematized according to the belief through conserving the status of the aged, family coherence and contingent on the family mechanism for resolving struggles. Interestingly, in the moderated relationship with strategic orientation, our study showed that family influence moderates the relationship with disparity effect on family firm performance. Due to heterogeneity among family firms, formal management practices may not be universally beneficial to all firms or similarly related to firm performance in the line with findings of (Bloom & Reenen, 2010; Bloom & Reenen, 2007), who found the adoption of formal management practices may also cause adjustment costs positive and negative effects.

The previous studies, for example, Habbershon et al. (2003) has recommended that understanding the family business involvement, forefront to an exact management condition that decides relevant concerns for the firm. We believe this result demonstrates the pertinence of contingency theory to family firms and indicates RBV theory forecasts, which should bound by perceptions' of contingency theory. These results also pointed out that the family plays an essential role in whether contingency theory guidance aids to family firm accomplishments. This viewpoint of family firm research deep-rooted in contingency theory ought to consider the complexity of the family in the relationships with different strategies and environment. The literature has long sustained that family firms are subject to cancel forces (Tagiuri and Davis, 1992).

From the theory perspectives, applying the RBV and contingency theory in understanding the moderating effect of family influence and the implementation of strategic orientations as firm sources can lead to understanding which resources and capabilities can be managed for long-term success. We argue that a contingency approach helps in defining family involvement. For example, board structure, activity, and roles offered useful guidance in understanding board contributions to family business performance. Where it was important to develop a family business theory to show how the reflected board characteristics in family firm's power, experience, and culture makeups effects the family firm performance.

On top of that, the understanding of other conditions of strategic fit, family involvement and other linked respects such as how and under which circumstances distinctive sources in family businesses are stimulated, wrap up, and united, and how they might drive to a competitive advantage situation. As such, our study found that the family influence through generation experience involvement in ownership and management could lead to the most powerful effect in the direct relationships with family firm performance significantly.

### 5.3.5 Moderating Effect of FI between OS and FFP

The organizational structure is the skeleton of a company's outline and rules in supervising business operations. Family firm owners are usually responsible for generating their firms' organizational structure, which is normally an expansion of the owner's personality, management way and features. There two organizational structure's decisions were connected the business environment and the owners, the centralized structure and the decentralized one (Chandler Jr. & Salisbury, 1971).

Every structure has advantages and disadvantages for business owners. For example, the design outcome of organizational enterprise process is important, in which it is an important factor in leading the firm performance (Athey & Roberts, 2001). Empirical proof suggests that decision-making most family companies are centralizing firms (Wait & Wright, 2014).

Next, the study H3 hypothesized that family influence moderates the relationship between organizational structure and family firm performance. The result shows that family influence moderates the relationships between centralized organizational structure and family firm performance negatively and significantly with moderate effect size ($f2 = 0.033$). This suggest that when family influence as risk averse firms use more centralized decisions over the financial decisions, operational, and strategic decisions, it has a small decrease in the family firm performance. It is the line with previous studies, which show that family firms are inefficient in investment and other financial and strategic decisions (Kachner et al., 2012).

The study descriptive results in more details show that financial and strategic selections more centralized than operational decisions. For example, only 14% of the respondents agreed that their operational selections to be centralized while 88.2% and 83.1% of the respondents' classified financial and strategic selections respectively to be extremely centralized which enables to implement strategy sooner and successfully (Lindow, 2013b). Decision-making is a critical element in the operation of a firm, and their decision-making protocols are different, which could at least explain the observed differences between family and non-family firms. In a centralized family firm, the effort of the principal is higher than in an equivalent non-family firm. This is because the principal has an additional benefit from effort due to their altruistic preferences towards the blood-related agent. However, this study draws on several streams of literature, not restricted only to theoretical models of decision-making power in an organization.

This is supported with the notion that family experience relates to the knowledge in the business has increased over generations (Bammens et al., 2008) which refers to the more aged family experience, the more use of centralized operational decisions that mean negative effect on FFP. Negative effect emerge when the boards of directors comes from their behaviour when they devote substantial attention to control management team (Bammens & Voordeckers, 2008). The variance of family members' strategies and attentions, where they have fewer opportunities for social interactions (Huse, 2005). Families usually operate by consensus and make decisions based on their impact on legacy and stewardship, where in non-family firms it depends on financial benefits (Baron, Lachenauer & Ehrensberger, 2015).

Theoretically, family businesses are vulnerable to risk toward strategic and financial decisions compared with operational decisions, which lead to reduced revenues and returns. However, empirical studies show that they outperform other businesses. However, other studies yield opposite results for example in investment related and new ventures. In short, risk taking is negatively affecting family firm performance (Naldi et al., 2007; Kachner et al., 2012)).

About family firm strategic decisions, the accomplishment of the family businesses appears to be different from other traditional public and private companies. For example, the empirical evidences shows that during good economic times, family companies earn less money as companies with a more distributed ownership, but when the economy slumps, family firms outshines other types of business (Kachner et al., 2012). As such, it can be concluded that family firms' concentrates on flexibility in performance. They focus on enhanced earnings during good times in order to rise their likelihoods of survival during bad economic times (Kachner et al., 2012).

In addition, other explanation of allocation of decision-making authority includes avoiding costly communication (Dessein, 2002) and processing more effective information (Meagher, 2003). As noted above, these results are consistent with the previous studies in turbulent, unstable, and complex environment that show significant direct relationships between the firm performance and organizational structure in the line with (Nisar et al., 2012; Sablynski, 2012). The findings showed that the family have a direct and indirect effects on the family firm in which it makes the key understanding of family business. As such, this study also validates the application of RBV perspective in family firm performance. Specifically, family can provide a competitive advantage to their firms; a resource that distinguishes the most successful family organizations (Eddleston, Kellermanns & Sarathy, 2008; Hoffman, Hoelscher & Sorenson, 2006).

Furthermore, the results are consistent with the previous studies that explored the direct impact of family participation in the business on their financial performance (Anderson & Reeb, 2003; Gómez-Ansón & Cabeza-García, 2011). Specifically, the board composition affects the performance of family firms (Chen et al., 2013), many have devoted relatively little attention to examining the implications of family influence in the business (Bettinelli, 2011).

### 5.3.6 Moderating Effect of EE between SO and FFP

The revisions concerned with the elements of firm performance have focused on three broad elements, in which is firm strategy (Porter, 2000; Hofer & Schendel, 1978; Thorelli, 1977), as well as firm structure (Provan, 1989; Thorelli, 1977), and external environment (Provan, 1989; Venkatraman & Prescott, 1990). They agreed that environment features might affect the success and determinations of the firm (Zahra, 2011; Zahra & Garvis, 2000). Since organizations in a turbulent environment are expected to indicate, a different strategy compared to organizations' operating in a stable environment (Schilke, 2014). This is very true when fluctuations take place fast in the environment; strategic decision-making becomes tougher due to increased uncertainty (Garrett Jr & Holland, 2015). As such in turbulent environments, executives are required to deal with constant change (Hamilton & Jaja; Kovach, Hora, Manikas & Patel, 2015). Once uncertainty becomes apparent, it is harder for decision-makers to plan effectively (Sánchez-Fernández, Vargas-Sánchez & Remoaldo, 2015).

Administrators working in such environments are estimated to implement wider choices of strategic preferences (Durmaz & Ilhan, 2015). Although, literature has recognized many different environmental scopes, two environments are regarded as mostly vital and have been involved in studies: dynamism and hostility (Chi, 2015; Shirokova, Bogatyreva & Beliaeva, 2015; Ting, Wang & Wang, 2012). Dynamism, or volatility, is the regularity of environmental variation attached with the randomness of market features (Homburg, Krohmer & Workman Jr, 2015). The hostility was confirmed the amount of risk of the firm, and viewed as insecure industry setting, powerful competition, and absence of business opportunities (Khandwalla, 1977; Palmer et al., 2015).

Hostility viewed as the contradictory of kindness (Rauch et al., *2009*) because of its contingency relationship where the strength of the business relationship varies with the presence of a third variable such as organizational structure, environment, strategy, and others.

To answer the fourth research question, two main research hypotheses were formulated and tested using the PLS path modelling (i.e., H5, H6). Specifically, it stated that external environment moderates the relationship between strategic orientation (H4a defenders, H4b analysers, H4c prospectors, H4d reactors) and family firm performance. In stability of environment, the defenders firms have positive performance that use one product and one market. At the same time, they positively related in hostile environment, where one product and one market reduce the risk that come from new product and markets.

The subject of the hypothesis H4a is the firms with the defender strategic orientation. Defenders operates in a stable product-market dynamism, with less hostility, where the environment is steady, and seldom make an adjustment in operations, technology, structure or methods (Miles & Snow, 2003). Unfortunately, despite no stability in Palestine most of the Palestinian family firms in the sample are using defender strategy in trade, manufacturing, and agriculture industry with less usage in the service sector based on the descriptive results. These strategies mostly used in medium-size firms, while it is used less in the second generations.

Further explanations for the result, it is difficult for defenders to compete in hostile environment. The hostility environment suggesting that when increasing environment hostility in Palestine it will affect negatively the family firm performance. The hostility suggests that this kind of environment is unfavourable in the firm (Miles et al., 2011), which is mostly hostile in Palestine (Naqib, 2015). For instance, from time to time the hostile of Israeli firms effects the Palestinian economic development severely (Sabri, 2008). As of today, there is no changes in this hostile policy (Naqib, 2015). For example, the policy of not permitting the Palestinian to exit abroad is part of the security cabinet decision since 2007. In which it defined Palestinian territories as a hostile entity and placed restrictions on the borders for passage of goods, technology, machines, and movement of people from the West Bank and Gaza Strip (A passage of letter from Foreign Israeli Minister, 2007). The World Bank estimated annual output losses associated with those restrictions at $3.4 billion – or an equivalent of 35% of Palestinian GDP in 2011(World Bank, 2012). In the opposite of RBV prepositions, empirical studies show, for instance, that the cost of production in the West Bank is larger than that of other countries in the region (Naqib, 2015). One of important difference is because of Palestinian products cost is higher than the price of goods imported, such as Turkish textiles, or East Asian countries materials. For example unlike Jordanian importers who import textiles, the Palestinians cannot import form all countries like the East Asian textiles because of the prohibitive tariff imposed by Israel to protect its own industry market in Palestinian market. Similarly, the cost for the final usage is little bit higher of agricultural products, pharmaceuticals and shoes compared with Jordan and other countries in the region (Awartani, 1994).

While hypothesis H5a postulates that external environment moderates the relationship between defender strategic orientations and family firm performance. In the line with the hypotheses, the results show that external environment moderates this relationship significantly suggesting, that when increasing environment effect it will reduce the defenders firms' behaviour negatively which reflected negatively on the family firm performance. Whereas the environment in Palestine are going to the contrary to defenders firms, defenders strategies operate in stable environment and product-market, and seldom make adjustment in operations, technology, structure or methods (Miles & Snow, 2003). Based on the RBV, dynamism technology moderate the relationship between strategy and firm performance in Malaysia (Hashim, Wafa & Sulaiman, 2004). The environmental uncertainty affects the link between business strategy and performance in SMEs China, Turkey, and the USA (Parnell, Lester, Long & Köseoglu, 2012). Furthermore, it can moderate the strategic decision process and firm performance, and it affects outsourcing and firm performance (Keats & Hitt, 1988).

The hypotheses H5b examines the moderating effect of EE on the relationship between the analysers' strategic orientations firms and family firm performance. In the line with the hypotheses, the results show that external environment does not moderate this relationship significantly. Analyser strategy operates in both of stable and changing market dynamism where environment is highly confusing (Miles & Snow, 2003). Where the analysers organizations adapted the firm efforts through focusing on both stable and changing market, which the firm can eliminate the environment's highly equivocal bad effects (Miles & Snow, 2003). However, the analysers' family firms could bear additional costs due to the adoption of this strategy because it forced to change its organizational structure towards decentralization.

However, it is difficult for Palestinian to develop business firms, because of Israeli control. The development of Palestine firm is inseparable from the economy development, which is a consumption economy in nature, for instance, in Palestine the GDP of 11.9 billion USD, while the total consumption is $ 13.2 billion as in 2012 (PMA, 2014 & Naqib, 2015). Naqib (2015) concluded that Palestine as emerging economy face continues threat. The investments and the initiative venture in Palestine are localized investments came from local private savings and transfers from the Diaspora, without public contributions up to 1993, and the foreign investments are very limited, which has a negative effect on firms' performance in Palestinian emerging economy (Sabri et al., 2015). Dyer and Mortensen (2005) proposed emerging economies as the GDP; purchasing power, normally due to high inflation; absence of skilled labours due to a poor education scheme, the out-migration, or declining population; lack of infrastructure. For example, transportation, banking, communications, and utilities; lack of legal protection; excessive governmental intrusion tax laws and troublesome regulations; and party-political uncertainty, community unrest, or war are mostly face reflected of bad economic performance.

In this study, the hypothesis H5c is to examine the moderating effect of external environment on the relationship between firms of Prospectors' strategic orientations and family firm performance. In the line with the hypotheses, the results show that external environment moderated this relationship significantly in the positive direction. This kind of strategy that look for recent prospects, elastic market/ product, wide technological field with modified environment and little bit decentralized. Palestine environment is turbulent; prospectors' family firms are sensitive and contingent to any environment changes, which they deal with by developing their productivity. The effect size of EE is the best compared with other variables in the model ($f2 = 0.20$), suggesting that when increasing environment effect through dynamic or hostility in production of technology, innovation, industry and service, the flow of information or resources' development it will positively have large effect on the family firm performance. This mean those defenders' firms found the high environment change as an opportunity in the line with Miles and Snow (1978). The high volatile and uncertainty environment reduced the firms' strategic orientations of centralization (Jabnoun, Khalifah & Yusuf, 2003).

Miles and Snow (2003) proposed that prospectors' firms operate in broad product-market dynamism where environment is uncertain. The results are consistent with the previous studies, for example, technology moderated the relationships between strategy and performance (Ting et al., 2012), and competitive advantage (Morone, 1989). Others like (Man, 2009; Zahra, 1996; Prajogo, 2006) showed that external environment influences firms' performance activities. In contradictory to the study that show that capabilities, innovation did not contribute to Performance in SMEs in Malaysia (Man, 2009). Prospector suggesting that when increasing environment hostility through precarious industry, intense competition, harsh, overwhelming business climate, and the relative lack of exploitable opportunities will positively has little effect on the family firm performance (Covin & Slevin, 1989). However, in hostile environment industry often show low growth because the heightened of uncertainty (Wiklund & Shepherd, 2003). Prospector strategy operates in broad product-market dynamism where environment is stable (Miles & Snow, 2003). The results are consistent with the previous studies, for example; resources moderated the relationships between strategy and performance (Ting et al., 2012). Moreover, of competitive advantage Man (2009). Zahra (1996) and Prajogo (2006) had also shown that external environment influences firms' performance activities. However in contradictory to the study that show that capabilities, innovation did not contribute to Performance in SMEs in Malaysia (Hashim et al., 2004).

The hypotheses H5d is to examine the moderating effect of external environment (EE) on the relationship between reactor's strategic orientations and family firm performance. In the contradictory with the hypotheses, the results show that external environment did not moderate this relationship significantly. The results are reliable with the preceding studies, for example, Eisenhardt (1989) found that in high-dynamism environments uses more information for successful strategic decision; Verma and Rangnekar (2015) showed that firms consider more alternatives, and seek a greater amount of advice in uncertainty. Instead of passing from the analytical requirements of comprehensive decision-making, they quicken their reasoning processes. The strategic assessments subsequent from inclusive decision developments lead to improved performance (Chitpin & Jones, 2015). Additional experimental support in this situation provided by (Priem et al., 1995; Judge and Miller 1991).

The hostility environment in the line with Miles and Snow typology (1978) who found that reactor strategic type is characterized by lacking a clear strategy. Its actions have been described to be inconsistent and unreliable (Snow, Miles & Allred, 2003). Meanwhile Covin, Slevin and Heeley (2000) found that increasing environment hostility interacts with the availability of resources limitations risky and unsafe industry situations, focused competition, severe, crushing business climates, and the relative lack of vulnerable opportunities for resources. Rather than concentrating on hostilely defensive present markets or attacking new market opportunities, this type takes action constructed on outside forces, such as competition or economic changes (Pleshko & Nickerson, 2008a).

In fact, Naqib (2015) has explained how 25 Israeli practices, policies, restrictions usage of natural resources, and the regulatory system effect the Palestinian economy. It is preventing business doings, and fiscal firmness are identified as responsible for weakening routine process of the normal market forces, blocking the positive spread effects and strengthening the backwash effects as the dominant force in the relation.

Characteristically being reactive, this approach spends little time on either decision-making prior to acting or on long-term planning (Snow et al., 2003). For example, Palestinian enterprise plans to start a new venture, or to enlarge an old one, often upset by delays in granting the suitable permit, or in outright denial. Permits were compulsory for all activities related to the acquisition of land, the construction of buildings, the transformation of goods, and export and import activities (Naqib, 2015), where Priem et al. (1995) have poved that environmental uncertainty and hostility reduces the firms' innovation.

In Palestine, The environments of hostility and dynamism in Palestine are deeply affects strategies implementation in the family firms. Theoretically, the unstable environment reduces the families' power that reflects the overlapping between family, business and ownership. It indicates that approach to this issue are deeply influenced by the historical, political, industrial, social and cultural contexts of a country, and this is reinforced by the affirmations made by (Hua, Miesing & Li, 2006). Similarly, Donnelly (1964) and Wahba (2010) demonstrated that strategy implementations varied across countries and had a shared influence on business policy and on the interests and purposes of the family.

### 5.3.7 Moderating Effect of EE between OS and FFP

Hypotheses 6 was directed at examining the moderating influence of external environment on the relationship between centralized decisions of organizational structure and family firm performance. Contradictory to the hypotheses, the results showed that EE did not moderate the relationship. The family firm centralized decisions could resist or eliminate the effect of the external environment, where the changes in organizational structure is less than the change in strategic orientation, which it explain the effect of the family on strategic orientation.

The results are consistent with the findings of Jung, Wu, and Chow (2008) where it was proposed that perceived centralization in the organizational structure can prevent joint efforts needed for improvement and business orientation. In the present study sample, 88% of financial decisions were centralized, and consistent with Goffee and Scase (1985) and Lindow (2013b). Similar argument was also mooted when it was found that environmental hostility moderated the relationship between entrepreneurial orientation and firm performance among the SMEs in China (Mu & Benedetto, 2011), and Netherlands (Kraus et al., 2012). This is because Casillas et al. (2010) proposed that the relationship between entrepreneurial orientation and growth of the family firm is dependent on environmental hostility, environmental dynamism and generational involvement. Similarly, the hostile business environments of emerging economies moderate the strategic decisions in achieving a competitive advantage to family firms (Hiebl, 2012). It is agreed that the effect of strategic decisions is stronger when the environment is hostile, the result from radical industry changes, intense competition, and regulatory burdens in industry (Werner, Brouthers & Brouthers, 1996)

The current sample tend to apply moderately centralized structure, as they get older and larger. This result is consistent with Zilibotti, Reenen, Lelarge, Aghion and

Acemoglu (2007) who found that older firms are more expected to be centralized, because the senior management familiarity endures the prospects and increases public signals regarding performance and technology, although there is no clear general, direction is visible for highly centralized structures. Damanpour and Schneider (2006) found that organizations with more centralized structures implement more innovations, and centralization considered as a main factor to corporate entrepreneurship, which affects the firm performance.

Furthermore literature show that increasing environmental uncertainty will negatively effect on the daily operations of family firm management organizational structure and the family firm performance (Kabadayi, Eyuboglu & Thomas, 2007; Kach, 2012; Khoury et al., 2014; Kovach et al., 2015). As such, more centralized operational decisions are practices for hiring and releasing personnel management; wages' management; creating and changing production plan management; starting and stopping R&D projects management; determining marketing concepts and product prices; choosing and changing suppliers; determining warehouse policy and IT-systems, and location's management. The results are consistent with theory that family business operational centralized decisions could create competitive advantage because of their access to information regarding their operations or financial condition (Bajestani, 2014; Ross, Weill & Robertson, 2006). Specifically, the use of 'family language' is very efficient which enables more effective communication and greater privacy in stable environment (Tagiuri & Davis, 1996). However, Acemoglu et al. (2007) considers the profit-versus-cost centre choice demonstrate more decentralization and the possibility is more to happen in new organizations that are struggling on productivity and those seen as competitive firms (Bloom et al., 2010). This is more apparent in dynamism and hostile environment (Meagher & Wait, 2014) and in larger and exporter firms. Where Malone and Team (2013) findings show that the technology that reduces the communication cost supports the centralizations' decision as one of the best choices to manage the firms, especially in family-owned firms (Feltham, Feltham & Barnett, 2005).

Sometimes, a negative operation in organizational structure under the uncertain environment affects the relationship with family firm performance. For example, in the description concept of family firms in Europe shows that those family businesses managers may often-placing greater emphasis on non-financial goals such as stability and the succession of siblings, where the desire to secure family control and succession of the business immediately leads to the existence of elder family members in high-ranking positions in family business. This may produce a sub-optimal outcome compared to non-family firms. Pressures to pursue traditionally successful business practices, which lead to neglect the innovation and adaptation to new circumstances (European Foundation for the Improvement of Living and Working Conditions, 2002), may control family firm managers.

In the same, context Alcorn (1982) states that the life expectancy of the family firms is 24 years and had difficulties in sustaining their growth. Mahérault (2000) found that they preferred to sacrifice development rather than losing their independence. The findings seem to suggest that operations of managing training, employee participation, or profit sharing are all lower in family firms compared with non-family firms (Baetens; Schlömer-Laufen, Kay & Holz, 2014). Furthermore, a workshop found that large, medium and small family firms undertook R&D, and non-adopters of total quality management practices (European Foundation for the Improvement of Living and Working Conditions, 2002). However, family business appears to be as strong as non-family businesses in carrying out normal business operations. It has a competent organizational structure producing higher profits and higher market valuation; centralization gives more opportunities to gather the required information to make effective decisions (Anderson & Reeb, 2002). The results of Anderson and Reeb (2002) suggested that family ownership of centralization represents an effective organizational structure. However, Kach (2012) found that performance among small firms in hostile environment was beneficially related to both decentralizing and centralized structure. This was inconsistent with Ambad and Wahab (2013) who found that hostility of risk-taking is positively related to firming performance. This was not supported by Hall's (1980) proposition that hostility creates an internal administrative structure, which allows firms to deal and adopt any necessary strategic repositioning. Hall added that learning to compete effectively in hostile environment would become top priority for increasing numbers of small manufacturing firms. Generally, within the domain of strategic, financial, and operational decisions in the family firm because they are vulnerable to trans-generational family approach.

### 5.4 Implications of the Study

The conceptual framework of this study based on the prior empirical evidence and theoretical gaps identified in the literature. It was also supported and explained by two theoretical perspectives of contingency theory (Chandler, 1962), and resource-based view theory (Barney, 1991; Wernerfelt, 1984a). The current study has integrated family influence and external environment as moderating variables to better explain and understand the gap relationship between strategic orientations, organization structure as valuable resources of competitive advantage that determine the family firm performance. Based on the research findings and discussions, the current study has made several theoretical contributions in the research on strategic orientation, organizational structure, family influence, external environment and family firm performance in different environment.

### 5.4.1 Theoretical Implications of the RBV and CT

This study has provided a theoretical implication by giving additional empirical evidence in the contingency theory (CT) application (Burns & Stalker, 1961; Luthans & Stewart, 1977). The study posited that the theory viewed that the effectiveness of organizational arises from the fit between the contingent factors and the organizational structure. Secondly, it contributed to the view of organizational structure design where contingency factors will determine the characteristics of organizational (Mintzberg, 1979). This idea was empirically investigated following an examination on the relationship between structure and strategy and their effect on performance. The findings indicated that to achieve a distinguished performance, they proposed that the firm has to change in firm strategy within the change in the organizational structure, in the line with (Hamilton & Shergill, 1992). Consequently, organizational structure becomes as an important factor for strategic management (Okumus, 2003). Generally, the previous empirical research on family business research included the structure follows strategy approach specifically structure as an antecedent to strategy implementation. The problem associated with strategy implementation slowed the organizational change, which results in strategic change to take many years in some cases (Pertusa-Ortega et al., 2010). The serious failure estimated between 50-90 % of organizations failed to implement initiation strategies, 73% of managers thought that execution is harder than invention, 72% perceived that it takes extra time, and 82% feel that managers have the smallest amount of mechanism (Cândido & Santos, 2015). Snow and Hambrick (1980) argued that emerging firm skills and abilities is important factors to be viable. As a result, organization structure is not viewed as a factor in fulfilling strategy (Pertusa-Ortega et al., 2010). However, the RBV theory of strategy called organization structure as organizational capital resources (Barney, 1991). From point of view of Miles and Snow (1978; 1984) it is not enough, they proposed that superior performance depends on the quality of the 'fit' among the organization's strategic orientation, and its physical, human, organizational resources, and environment.

Instead of using one theory, this study utilised contingency theory and RBV to explain the strategic orientations and organizational structure, and the moderation effect of family and external environment on family firm performance. Theoretically, this study examined the problem in the lights of RBV relations of strategy, structure, family and performance as internal resources, and the traditional approach of contingency theory that supposed strategy, and other moderators are contingent upon other variables that influence the family firm performance.

The empirical results support both RBV and contingency theory (Chi, 2015; Lindow, 2013b; Pertusa-Ortega et al., 2010). This study treats family influence and external environment as resources and contingent factors that exert influence on strategic orientation and organization structure. The strategic orientations and organizational structure were viewed as resources or capabilities that influence the development the firm overall performance. Organizational structure does exert a direct influence on family firm performance (Edelman, Brush & Manolova, 2005), which indicates that organizational structure as an internal resource; this result supports the RBV theory. Since the influence of organizational structure is indirect via family influence and external environment, which are contingents, this result supports the contingency theory. On a similar vein, strategic orientation is also moderated by family influence and external environment, which denotes an indirect influence towards firm performance. This result reinforce that the variables of family influence and external environment are important strategic resources that influence the family firm design where they influence the family firm performance. As such, RBV and Contingency theory complementary do new explanation of the firm performance, which indicates a support to the underpinning theory of the present study. Specifically, it means that the success and failure of family firm performance are not related to the firm strategies and structure overlapping with family and the business but it is also contingent to other factors for example Miller and Shamsie (1996) proposed the contingent application of the RBV of the firm. They pointed out that the resources influence depends on the context enveloping the organization where the resources are heterogeneous, routines, capabilities and other assets that differentiate one organization from another (Barney, 1991). In this sense, if the family firm operates in a dynamism environment, which need constant changes in the product or market? Its strategy will be improved by flexible structure change that makes these changes easier and faster over time in the line with ( (Pertusa-Ortega et al., 2010). It could be contingent upon location (Freeman et al., 2012); to industry (Oyedijo & Akewusola, 2012); with environmental hostility (Martins & Rialp, 2011); firm size (Martins & Rialp, 2011); family power of corporate governance (He, Mahoney & Wang, 2009); ownership (Zouari & Zouari-Hadiji, 2015); family experience (Essen et al., 2015). The finding of this study supports the other studies findings, which supports the appropriateness of the RBV application on other studies of strategic management and decision-making as a sole strategy, in the line with (Chmielewski & Paladino, 2007; Crook, Ketchen, Combs & Todd, 2008; Eddleston et al., 2008). Wheresa it is stressed that RBV has a strong support to guide managers to invest their resources.

### 5.4.2 Practical Implications

The present study has contributed towards several practical implications in terms of strategic management implementation in the context of Palestinian family businesses. Firstly, the results suggest that strategic orientations are important considerations in managing the family business performance.

Similar to other researchers (Acar & Acar, 2012; Allouche et al., 2008; Eisenhardt, 1989; Essen et al., 2015) the findings of the present study proposes that strategic decisions ensuing from the inclusive decision process leads to improvement of family firm performance. Previous scholars (Deligianni et al., 2015; Ibrahim et al., 2015; Judge & Miller, 1991) also made similar claims. Family can improve family firm performance by increasing the fit the process among the family, firm, and business resources. This can be done by integrating the business strategic orientations (defender, prospector, analyser and reactor), and organizational structure. Besides that, it has to be integrated with the external business environment to reduce uncertainty of dynamism and hostility external environment, which can be overcome by the power of family influence of power, experience and culture.

The study results show that the reactors' firms have a positive links with the firm performance, and a negative link with family influence and positive relationship with external environment. It is suggested that organizations with high level and low level of profitability tend to be a reactor type. This strategy could use in small organizations of construction, grocery, the subcontract firms, services and agriculture firms. Sometimes these organizations are innovative, often they attempt to reduce costs, and sometimes they do both (Meier et al., 2010). The reactors' firms in which top management often perceived alteration and uncertainty happening in their environments, but they incapable to reply effectively.

In the line with the argument by Chattopadhyay, Glick and Huber (2001) and Grewal and Tansuhaj (2001) family businesses should reduce the levels of risks, adapt critical managers and develop their skills of the administrative problem.

In the Palestine family business context, for example, the centralization of financial, operations, and strategic decisions in the organizational structure are mostly important for success of the family firm strategy. The centralization organizational structure moderated by family influence significantly. Therefore, the operational decisions as part of organizational structure decisions must link with family experience, in the line with (Lindow, 2013). Lindow found a weak direct relationship between the organizational structures and family firm performance in Germany. The interesting finding is that the centralized organizational structure decisions were linked weakly to external environment and strongly family firm performance. The results are consistent with RBV theory. Centralization demonstrated that the weak of the knowledge base, which in turn, reduce the innovation and development of new ideas and performance (Damanpour & Schneider, 2006).

In the context of family influence, the study proved that family influence on decisions, where the family is the source of firm liabilities and other costs. Sabri (2008) showed that the majority of Palestinian private financing systems for both family and non- family businesses come from what known as the internal sources of funds. It ranged 80% to 90% of total assets, while loans in Palestine formed only about 8%, of the total liabilities of both family and non-family business. As pointed out by Gnan and Songini (2003) the 47 societal control systems are further effective than bureaucratic and management structures when strategy, decision-making as well as power in the organization are talented by few people. Those can share common values and direct themselves by informal contacts (Gnan & Songini, 2003). In family firms, the social communications amongst family followers allow the use of informal and cultural, power and experience appliances that substitute or match the official administrative systems.

Finally, as stated at the firm performance is related to the alignment of strategic factors of strategy, structure and other resources (Chong, 2008). Therefore, the results of the current study suggest besides strategic orientations, organizational structure, environment factors, and family influence factors should be given a serious consideration in the family business performance in the Palestinian environment. In particular, the moderating role of family power and experience suggests that involvement of the family can maximize the strategy implementation opportunities through easily communication and cost efficiency, through minimizing the cost organizational structure change.

### 5.4.3 Methodological Implications

The present study has contributed to a number of methodological implications. One of the methodological contributions lies in assessing the Partial least square structural equation modelling (PLS-SEM) for family business research, especially in strategic orientations of family business performance. Definitely, in an attempt to fill a methodological gap suggested by Sarstedt et al. (2014), the present study assessed family business performance deviance constructs based on both financial and perceived performance of small, medium and large family firms. It explains how strategies affected by family influence within complexity, rigidly, as well as changing environment identified by the subject matter. Furthermore, the present study removed all irrelevant items from the criterion of family firm performance and tested the measures in Palestine.

Although structural equation modelling (SEM) has become an ordinary method in many fields of business research (Babin, Hair & Boles, 2008), its use in family business research rests at a primary stage of development (Wilson et al., 2014). On the contrast to previous studies in the family business strategic researches, this study has used structural equation modelling (SEM). SEM is one of the most remarkable methods in this respect (Rigdon, 1998), which enables to test the relationships comprehensively into an integrated model. In other words, as far back as the early 1990s, it was noted that empirical studies in family business research used only primitive statistical techniques (Wortman, 1994). Next to this period Bird, Welsch, Astrachan and Pistrui (2002) noted that only minority of family business research articles used some type of multivariate analysis (e.g., analysis of variance, regression, or factor analysis), whereas the majority of studies relied on descriptive and bivariate (e.g., correlation) analyses or did not perform any statistical analysis (Wilson et al., 2014).

Another methodological contribution of this study is related to using PLS path modelling to assess the strategic orientation antecedents of each latent variable. Particularly, the present study has succeeded in assessing family firm performance properties belongings of to each latent variable in terms of convergent validity, as well as discriminant validity. The FFP belongings studied were individual item reliability, (AVE) and composite reliability of each latent variable. Convergent validity was assessed, by inspecting the value of AVE for each latent variable. Furthermore, the discriminant validity was determined by comparing the correlations amongst the latent variables with the square roots of AVE. The outcomes of the cross loadings matrix were also studied to find support for discriminant validity in the conceptual model. This study has managed to use a more robust approach (PLS path modelling) to assess the family firm performance belongings of each latent variable demonstrated in the conceptual model of this study. Furthermore, the application of PLS path modelling was performed within the context of strategic management of family business, and using Miles and Snow typology (1978) which has been validated more than 1000 times in the period of 1985-2003 (Ketchen, 2003).

Empirically study has found that there is a strong significant relationship between business performance and country culture (Rabl et al., 2014) which was grounded on the basis of family firm heterogeneity (Rosa, Howorth & Discua Cruz, 2014), and geographical and regional context (Basco, 2015). Therefore, the validity, reliability and applicability of existing theories may be questioned (Welter et al., 2016). In this area, this study has contributed in two main points. Firstly, the study has examined the Miles and Snow typology theory in a new and different turbulent and uncertain environment of Palestine, which Palestine is one of the least countries that have remained under political occupation in World (Kazziha, 2015). Secondly, it has succeeded to validate Miles and Snow's typology in such an environment, which was originally operational by Segev (1987).

However, unlike most of the population and sample of previous studies related to family firm size. This research sample not directed only to one sector- to small size, small medium size, micro small medium size, or large-size firms- the has targeted small, medium, and large sized firms comprehensively.

## 5.5 Limitations and Suggestions for Future Researches

Even though this study has provided support to a number of the hypothesized relationships between the exogenous and endogenous variables, the findings have to be interpreted with caution because like any study there are some limitations. First, the present study adopts a cross-sectional design, which allows causal inferences to be made from the population. Therefore, a longitudinal design is suggested so that the theoretical constructs can be measured at different points of time to confirm the findings of the present study.

Secondly, the data gathered for this research provides wealthier understanding of the family firm performance. However, carefulness should be taken to generalize the results to other context because of the difference of environment and economic factors. The Palestinian family business differs from any other international family firm in terms of strategy implementations, structure, firm size, regulations, practices, and other economic conditions. However, the finding and policy implications of the study can be extended to other emerging economies where there have similar environment and ownership structure.

Thirdly, this study data was collected from family firms that are registered in the Federation of Palestinian Chambers of Commerce Industry and Agriculture, as well as from the Ministry of Economics. In which the final sample size only 315 of the businesses have strategies but not listed in the Palestine Exchange Market (PEX). As such, the results might not be applicable to other firms that have strategies, but were listed in the (PEX). In order to improve the generalization of the results of this study, future researchers can be expanded to those listed in PEX.

Fourthly, the study sample was stratified by industry and sectors instead of size, this action may limit the generalizability of the study results. Future studies in this area needs to empirically investigate the effect of industry, size and age of firms.

Fifthly, looking at the family influence at strategic orientations and organizational centralized decisions, there are factors, which are contingent on their relationships and their role in the firms. This information could be better investigated through interviews or other qualitative approaches. As such, this study is suggesting for future researches to look at the possibility of a qualitative approach to answer the established relationships.

Finally, research on the notions and values of family firm performance under the political occupation is lacking. With respect to research insights, it is important to explore the concept of Palestine family business performance in the occupied territories. In addition, some concepts of the family power and culture because of religious beliefs' impacts can be examined by future studies.

**5.6 Conclusions**

The present study explored the antecedents of family firm performance. In this specific context, the study identified the potential influence of strategic orientation, environment, family influence and external environment on firm performance. Specifically, this research has developed a comprehensive model of strategic orientations that considers the family influence and the external environment moderation the relationships between strategic and organizational structure and firm performance. The tested hypotheses was on a sample of 380 Palestinian family firms. The findings indicated that family firm strategic orientations related to the family firm performance significantly. Similarly, the study found that organizational structure influences family firm performance. Finally, the study also found that both family influence and external environment moderated the stated relationships.

Overall, both findings strengthen the theoretical gap that the degree of family influence is important for strategic and structuring behaviour in family firms. In addition, the present study has also supported the postulated theoretical gap that environment is contingent for main strategic orientations of the family firm in the Palestinian business environment.

Overall, findings strengthen the theoretical idea that the degree of family influence is important for strategic and structuring behavior in family firms. In addition, supports the theoretical perspective that environment is contingent for main strategic orientations of the family firm in this environment. Meanwhile using a continuous and multidimensional measurement of family influence, and external environment, organizational structure and the adaptations of family firm performance continues and multidimensional will explain previous inconclusive results but also enable a more comprehensive analysis, besides a recent validation of Miles and Snow typology in different environment and a new methodology.

This suggests that higher-level family influence firms seem to be better able to manage deviations from ideal strategic orientations' environment indirectly. Taken all results together suggest that Miles and Snow typology contextualization can provide a validity in the family firm strategy implementation.

Further, this study provides an in-depth theoretical discussion of the concept of typology contextualization as separated concepts of strategic management, which could open a new gate for new studies in family business performance and non-family firm performance.

The owned firms' performance in such classification of business strategies proves valid. The current script merely deals with task of developing logic theoretical linkages between the business strategy type and their antecedent limitations. For example, researchers may wish to understand how the family business in Palestine manages to survive under political and military occupation, Israeli settlements, and economic control over all aspects of small business as well as large one.

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# APPENDICES

## Appendix A
## Overview of Questionnaire

**Dear The Owner / Manager of the firm**

**Greeting**

**<u>Subject: Research Survey on Family Business Performance in Palestine</u>**

My name is Issa M. H. Smirat. I am a PhD student in management at Universiti Utara Malaysia (UUM). My research topic is about the family business in Palestine. The *family business performance in Palestine is important to the success of the* Palestinian economy. They make up about 90% of economic projects. They contribute of 55-75% of GDP and employs 85% of the workforce. Please kindly answer questionnaire that prepared to discuss the performance of these institutions and its strategy to assist the owners, and decision makers in understanding the development of these projects.

This questionnaire consists of six parts, and needs about 15 minutes to complete. We hope to answer questions accurately, as your responses are contributing to the success of the research. This research is custom for scientific research for the doctoral degree in business management. We promise to keep the data confidential.

Thank you very much, and please accept our sincere respect and appreciation

Yours

Issa Smirat

**Section 1: General Firm Characteristics**

1. Please indicate your firm percentage of ownership:

| s/no | Ownership | Less than 51% | 51 -99.9% | 100% |
|---|---|---|---|---|
| 1. | Family | | | |
| 2. | Non-family | | | |

2. Is your Business having a strategy? ....Yes ......No.

**(If you have a strategy, Please continue to answer the following questions).**

3. In which year was, your firm founded. ..................

4. How many employees do your firm have now?

| 6-19 | 20-50 | More than 50 |
|---|---|---|
| | | |

5. In which industry is your business active
   1. Trade 2.Manufacturing 3.Agriculture 4.Services? ..............

6. Does the firm's industry type change in the last three years? Yes... No...

7. Please tick in the left on number that applies your firm.

| 1. | Bank | 10. | Insurance | 19. | Transportation & Logistics |
|---|---|---|---|---|---|
| 2. | Materials | 11. | Accommodation and Food Services | 20. | Automobile |
| 3. | Wholesale trade | 12. | Other Services | 21. | Media |
| 4. | Retail Trade | 13. | Construction & Building | 22. | Pharm and Healthcare |
| 5. | Repair Motors | 14. | Information and Communication | 23. | Software and IT |
| 6. | Storage | 15. | Real Estate | 24. | Technology |
| 7. | Food and Beverage | 16. | Chemicals | 25. | Manufacturing |
| 8. | Financial Services | 17. | Consumer Goods | 26. | Agriculture |
| 9. | Telecommunication | 18. | Utility | 27. | Other .............. |

8. **Firm Performance**

How has your firm developed over the last 3 years? Please indicate values for each year.

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Sales (in $ Thous.)** | | | |
| **EBIT (in $ Thous.)** | | | |
| **Assets (in $ Thous.)** | | | |

**Section 2:** How has you perceive your firm performance over the last 3 years? Please indicate.

| s/no | Items | High decrease | Decreas e | Neither | incre ase | High increase |
|---|---|---|---|---|---|---|
| 1. | Gross Sales in 2012 | | | | | |
| 2. | Gross Sales in 2013 | | | | | |
| 3. | Gross Sales in 2014 | | | | | |
| 4. | Profit Before Interest and Tax in 2012 | | | | | |
| 5. | Profit Before Interest and Tax in 2013 | | | | | |
| 6. | Profit Before Interest and Tax in 2013 | | | | | |
| 7. | Return on Equity in 2012 | | | | | |
| 8. | Return on Equity in 2013 | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| **9.** | Return on Equity in 2014 | | | | | |
| **10.** | Return on Assets in 2012 | | | | | |
| **11.** | Return on Assets in 2013 | | | | | |
| **12.** | Return on Assets in 2014 | | | | | |
| **13.** | Your firm enhances management development | | | | | |
| **14.** | Overall firm Performance related to your objectives *improvement* | | | | | |
| **15.** | Overall Firm Performance related to Your main competitors improvement | | | | | |

**Section 3: Strategy:**

**Strategy is a way or a plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.**

1. From the following list of characteristics, identify which items best suit your business type relative to your competitors, please read the four strategic carefully.

| s/no | Items | Does not suit my firm at all | Does not suit my firm | Neither suit / not suit | Suit my firm | Suit my firm to a very high degree |
|---|---|---|---|---|---|---|
| | **Defender** | | | | | |
| 1. | Our business attempts to | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | locate and maintain a secure niche in a relatively stable product or service area, | | | | | |
| **2.** | Our business tends to offer a more limited range of products or services compared to competitors, | | | | | |
| **3.** | Our business focuses on optimizing the operative business, | | | | | |
| **4.** | Our business is not at the forefront of developments in the industry. | | | | | |
| | **Analyzer** | | | | | |
| **5.** | Our business attempts to maintain a stable, limited line of products or services, | | | | | |
| **6.** | Our business while at the same time moves into selected new markets or services, | | | | | |
| **7.** | Our business is seldom "first in" with new products or services, | | | | | |
| **8.** | Our business however, frequently be "second in" with a more cost-efficient product or service. | | | | | |
| | **Prospector** | | | | | |
| **9.** | Our business operates within a broad product-market domain that undergoes periodic redefinition, | | | | | |
| **10.** | Our business values being "first in" in new product and market areas, | | | | | |
| **11.** | Our business does not maintain market strength in all of the areas it enters. | | | | | |
| **12.** | Our business responds rapidly to areas of opportunity, which often leads to competitive | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | actions, | | | | | |
| | **Reactor** | | | | | |
| **13.** | Our business does not appear to have a consistent product-market orientation, | | | | | |
| **14.** | Our business is neither aggressive in maintaining established products and markets, | | | | | |
| **15.** | Our business nor willing to take as many risks as other competitors, | | | | | |
| **16.** | Our business rather, responds in those areas where it forced to, by environmental pressures. | | | | | |

**Section 4: Organizational Structure.**

Centralized decisions mean that the decision-making authority is retaining at the top management level. Decentralized decisions mean that the second level managers have the authority to make decisions independently.

1. For the following Operative, Financial, and Strategic decisions, please indicate the extent to which decision are made in the firm (centralized versus decentralized):

| s/no | Operational decisions | Strongly Disagree | Disagree | Neither | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| **1.** | Hiring/releasing personnel done by top management only | | | | | |
| **2.** | Determining wages done by top Management only | | | | | |
| **3.** | Creating / changing production plan done by top management only | | | | | |
| **4.** | Starting/stopping R&D projects done by top management only | | | | | |
| **5.** | Determining marketing concepts done by top | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | management only | | | | | |
| 6. | Determining product prices done by top management only | | | | | |
| 7. | Choosing / changing suppliers done by top management only | | | | | |
| 8. | Determining / changing warehouse policy do by top Management only | | | | | |
| 9. | Implementing / changing IT-systems done by top management only | | | | | |
| 10. | opening /closing locations do by top management only | | | | | |
| | **Financial decisions** | | | | | |
| 11. | planning / determining budgets done by top management only | | | | | |
| 12. | Deciding about the form of financing done by top management only | | | | | |
| 13. | Reviewing / approving investments done by top management only | | | | | |
| 14. | Allocating profits done by top management only | | | | | |
| 15. | planning/controlling liquidity done by top management only | | | | | |
| | **Strategic decisions** | | | | | |
| 16. | Decision to decide on corporate strategy do by top Management only | | | | | |
| 17. | Decision to decide on business strategy do by top Management only | | | | | |
| 18. | Decision to decide on executive development do by top Management only | | | | | |
| 19. | Decision to exert long-term strategic planning do by top Management only | | | | | |

**Section 5: Family Influence.**

1. Please rate the extent of **Power, Experience, Culture** of the family to which you agree with the following statements:

| S/no | Power | Strongly Disagree | Disagree | Neither | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| 1. | Family owns the entire firm. | | | | | |
| 2. | Family owns the majority of the firm | | | | | |
| 3. | Family are supervising the firm now | | | | | |
| 4. | Family controls the board of directors | | | | | |
| 5. | Family members are the majority of the board of directors | | | | | |
| | **Experience** | | | | | |
| 6. | Family first generation owns the firm now | | | | | |
| 7. | Family second generation owns the firm now | | | | | |
| 8. | Family third generation owns the firm now | | | | | |
| 9. | Family fourth generation is owning the firm now | | | | | |
| 10. | Family first generation is managing the firm now | | | | | |
| 11. | Family second generation is managing the firm now | | | | | |
| 12. | Family third generation is managing the firm now | | | | | |
| 13. | Family fourth generation is managing the firm now | | | | | |
| | **Culture** | | | | | |
| 14. | Your family has influence on your business | | | | | |
| 15. | Your family members share similar values | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **16.** | Your family and business share similar values | | | | | |
| **17.** | The family stands behind the business in discussions with friends, employees and other family members | | | | | |
| **18.** | The family is willing to contribute highest effort to the success of the firm | | | | | |
| **19.** | The family is proud to be part of the family firm | | | | | |
| **20.** | The family is loyal to the firm | | | | | |
| **21.** | The family agrees with the family firm goals, plans, and policies | | | | | |
| **22.** | The family is interested in firm development | | | | | |
| **23.** | The family derives long-term personal profit | | | | | |
| **24.** | The family believes in having united values | | | | | |
| **25.** | I as a family member perceive that my involvement in the firm has a positive influence on my life | | | | | |
| **26.** | I as a family member understand and support family decisions regarding the future of the family firm | | | | | |

**Section 6: Measurement Scales of Environment.**

1. The following questions relate to change in your organization's external environment over the past three years. Please indicate your assessment of environmental by ticking a choice for each statement that follows.

| s/no | Dynamism | Strongly Disagree | Disagree | Neither | Agree | Strongly Agree |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| 1. | Production technology in your principal industry has been developed | | | | | |
| 2. | The rate of innovation of new operating processes in principal industry has been reduced | | | | | |
| 3 | The rate of innovation of new services in principal industry has been reduced | | | | | |
| 4 | R & D activities in our principal industry has been reduced | | | | | |
| 5 | The flow of the needed information were reduced by environment. | | | | | |

| s/no | Hostility | Strongly disagree | Disagree | Neither | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| 6. | Market activities of our key competitors have become more hostile | | | | | |
| 7. | Market activity of our key competitor has a negative effect on our firms' in pricing than before. | | | | | |
| 8 | Market activity of our key competitors has a negative effect on our firms' in delivery than before. | | | | | |
| 9 | Market activity of our key competitors has a negative effect on our firms' in services than before. | | | | | |
| 10 | Market activity of our key competitors has a negative effect on our firms' in production than before. | | | | | |
| 11 | Market activity of our key competitors has a negative effect on our firms' in quality | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | than before. | | | | | |
| **12** | Now, the flow of stock resources we need affect our firm negatively. | | | | | |

Thank you for your cooperation. Your contribution in this study is highly appreciated. Please return this questionnaire using the freepost envelops provided.

Address for correspondence: Bethlehem Chamber of Commerce & Industry

Dr. Gmeiner (Al-Karkafeh) Street,

P.O.Box 59, +970

Bethlehem, West Bank

Phone: +972-2-274 2742

Attention: Issa Mahmoud Hamed Smirat

# Appendix B

## Table of Determining Sample Size for a Finite Population

| N | S | N | S | N | S |
|---|---|---|---|---|---|
| 10 | 10 | 220 | 140 | 1200 | 291 |
| 15 | 14 | 230 | 144 | 1300 | 297 |
| 20 | 19 | 240 | 148 | 1400 | 302 |
| 25 | 24 | 250 | 152 | 1500 | 306 |
| 30 | 28 | 260 | 155 | 1600 | 310 |
| 35 | 32 | 270 | 159 | 1700 | 313 |
| 40 | 36 | 280 | 162 | 1800 | 317 |
| 45 | 40 | 290 | 165 | 1900 | 320 |
| 50 | 44 | 300 | 169 | 2000 | 322 |
| 55 | 48 | 320 | 175 | 2200 | 327 |
| 60 | 52 | 340 | 181 | 2400 | 331 |
| 65 | 56 | 360 | 186 | 2600 | 335 |
| 70 | 59 | 380 | 191 | 2800 | 338 |
| 75 | 63 | 400 | 196 | 3000 | 341 |
| 80 | 66 | 420 | 201 | 3500 | 346 |
| 85 | 70 | 440 | 205 | 4000 | 351 |
| 90 | 73 | 460 | 210 | 4500 | 354 |
| 95 | 76 | 480 | 214 | 5000 | 357 |
| 100 | 80 | 500 | 217 | 6000 | 361 |
| 110 | 86 | 550 | 226 | 7000 | 364 |
| 120 | 92 | 600 | 234 | 8000 | 367 |
| 130 | 97 | 650 | 242 | 9000 | 368 |
| 140 | 103 | 700 | 248 | 10000 | 370 |
| 150 | 108 | 750 | 254 | 15000 | 375 |
| 160 | 113 | 800 | 260 | 20000 | 377 |
| 170 | 118 | 850 | 265 | 30000 | 379 |
| 180 | 123 | 900 | 269 | 40000 | 380 |
| 190 | 127 | 950 | 274 | 50000 | 381 |
| 200 | 132 | 1000 | 278 | 75000 | 382 |
| 210 | 136 | 1100 | 285 | 1000000 | 384 |

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

# Appendix C

## The Factor Analysis

| | Variable | Latent constructs and indicators | Standardizes Loading | Average Variance Extracted AVE | Composite Reliability | Cronbachs Alpha | The deleted |
|---|---|---|---|---|---|---|---|
| | Defender | | | 0.6721 | 0.8609 | 0.744 | Q4Def |
| 1. | | Q1Def | 0.67 | | | | |
| 2. | | Q2Def | 0.92 | | | | |
| 3. | | Q3Def | 0.75 | | | | |
| | Analyzer | | | 0.6546 | 0.8464 | 0.760 | Q5Anal. |
| 4. | | Q6Analyz | 0.87 | | | | |
| 5. | | Q7Analyz | 0.92 | | | | |
| 6. | | Q8Analyz | 0.57 | | | | |
| | Prospector | | | 0.685 | 0.9301 | 0.770 | Q12Pro |
| 7. | | Q9Prosp. | 0.75 | | | | |
| 8. | | Q10Prosp | 0.915 | | | | |
| 9. | | Q11Prosp | 0.80 | | | | |
| | Reactor | | | 0.508 | 0.9172 | 0.529 | Q14Rae |
| 10. | | Q13React | 0.73 | | | | |
| 11. | | Q15React | 0.69 | | | | |
| 12. | | Q16React | 0.70 | | | | |
| 13. | Organization Structure | | | 0.564 | 0.9587 | 0.954 | |
| | | Operational Decision | | | | | |
| 14. | | Q1OsM | 0.64 | | | | Q11Os |
| | | Q2OsM | 0.79 | | | | Q12Os |
| 15. | | Q3OsM | 0.77 | | | | Q13Os |
| 16. | | Q4OsM | 0.78 | | | | Q14Os |
| 17. | | Q5OsM | 0.76 | | | | Q15Os |
| 18. | | Q6OsM | 0.74 | | | | |
| 19. | | Q7OsM | 0.71 | | | | |
| 20. | | Q8OsM | 0.77 | | | | |
| 21. | | Q9OsM | 0.78 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **22.** | | Q10OsM | 0.76 | | | | |
| | | Financial *decisions* | | | | | |
| **23.** | | Q11OsF | 0.78 | | | | |
| **24.** | | Q12OsF | 0.76 | | | | |
| **25.** | | Q13OsF | 0.705 | | | | |
| **26.** | | Q14OsF | 0.655 | | | | |
| **27.** | | Q15OsF | 0.60 | | | | |
| | | OS. Strategic Decision | | 0.7676 | 0.929 | | |
| **28.** | | Q16OsS | 0.76 | | | | |
| **29.** | | Q17OsS | 0.72 | | | | |
| **30.** | | Q18OsS | 0.76 | | | | |
| **31.** | | Q19OsS | 0.75 | | | | |
| | Family influence | | | 0.504 | 0.932 | 0.918 | |
| **32.** | | F. Power | | | | | |
| **33.** | | Q2FP | 0.676 | | | | Q1FP |
| **34.** | | Q3FP | 0.887 | | | | Q5FP |
| **35.** | | Q4FP | 0.997 | | | | |
| | | F. Experience | | | | | Q6FE |
| **36.** | | Q10FE | 0.369 | | | | Q7FE |
| **37.** | | Q11FE | 0.447 | | | | Q8FE |
| **38.** | | Q12FE | 0.443 | | | | Q9FE |
| | | F. Culture | | | | | |
| **39.** | | Q18FC | 0.725 | | | | Q14FE |
| **40.** | | Q19FC | 0.850 | | | | Q15FC |
| **41.** | | Q20FC | 0.845 | | | | Q16FC |
| **42.** | | Q21FC | 0.830 | | | | Q17FC |
| **43.** | | Q22FC | 0.825 | | | | |
| **44.** | | Q23FC | 0.726 | | | | |
| **45.** | | Q24FC | 0.710 | | | | |
| **46.** | | Q25FC | 0.810 | | | | |
| **47.** | | Q26FC | 0.805 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | External environment | | | 0.586 | 0.896 | 0.866 | |
| | | QF. Dynamism | | | | | Q4Dyn |
| 48. | | Q1Dyn | 0.725 | | | | Q5Dyn |
| 49. | | Q2Dyn | 0.850 | | | | Q6Hst |
| 50. | | Q3Dyn | 0.845 | | | | Q9Hst |
| | | QF. Hostility | | | | | Q10Hst |
| 51. | | Q7Hst | 0.156 | | | | Q11Hst |
| 52. | | Q8Hst | 0.145 | | | | Q12Hst |
| | Family Firm Performance | | | 0.5108 | 0.9385 | .0923 | |
| | | Financial Performance | | | | | |
| 53. | | Q1Sales2012 | 0.7132 | | | | |
| 54. | | Q2Sales2013 | 0.8105 | | | | |
| 55. | | Q3Sales2014 | 0.6256 | | | | |
| 56. | | Q4EBIT2012 | 0.7505 | | | | |
| 57. | | Q5PEBIT2013 | 0.8441 | | | | |
| 58. | | Q6EBIT2014 | 0.6517 | | | | |
| 59. | | Q7ROE2012 | 0.7935 | | | | |
| 60. | | Q8ROE2013 | 0.835 | | | | |
| 61. | | Q9ROE2014 | 0.710 | | | | |
| 62. | | Q10ROA2012 | 0.803 | | | | |
| 63. | | Q11ROA2013 | 0.8284 | | | | |
| 64. | | Q12ROA2014 | 0.695 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Perceived Performance | | | | | |
| **65.** | | Q13Magt | 0.545 | | | | Q15Comptirs |
| **66.** | | Q14Object | 0.534 | | | | |
| **Total** | | 66 | | | | | 22 |

# Appendix D

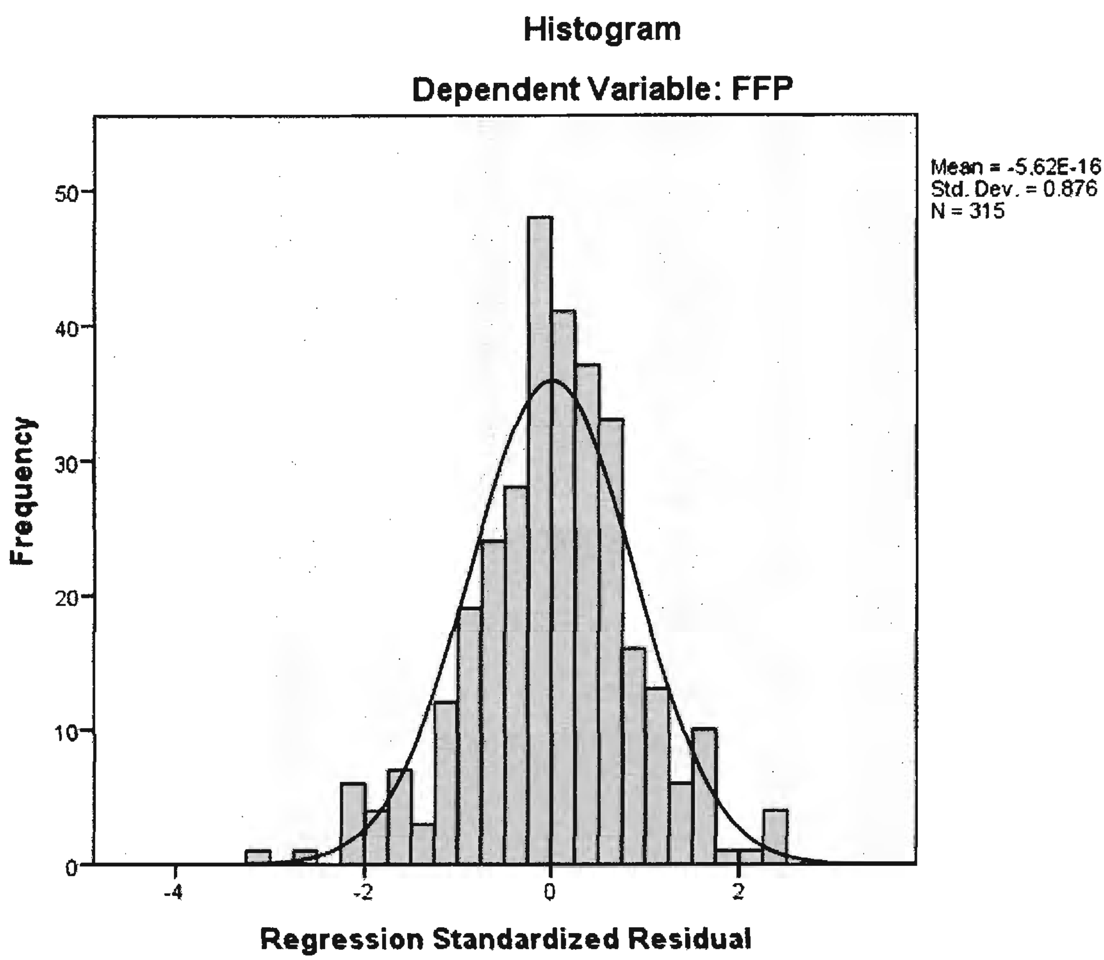
## The Total Variance Explained

| | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| Component | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.227 | 24.825 | 24.825 | 3.227 | 24.825 | 24.825 |
| 2 | 1.837 | 14.131 | 38.957 | 1.837 | 14.131 | 38.957 |
| 3 | 1.633 | 12.559 | 51.516 | 1.633 | 12.559 | 51.516 |
| 4 | 1.355 | 10.421 | 61.936 | 1.355 | 10.421 | 61.936 |
| 5 | .948 | 7.294 | 69.230 | | | |
| 6 | .746 | 5.736 | 74.966 | | | |
| 7 | .688 | 5.294 | 80.260 | | | |
| 8 | .614 | 4.725 | 84.985 | | | |
| 9 | .575 | 4.423 | 89.407 | | | |
| 10 | .440 | 3.385 | 92.792 | | | |
| 11 | .397 | 3.051 | 95.843 | | | |
| 12 | .290 | 2.230 | 98.072 | | | |
| 13 | .251 | 1.928 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

# Appendix E

## Normality Figure



# Appendix F

## Table of Correlation Matrix and the Exogenous Latent Constructs

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 2.407 | .540 | | 4.461 | .000 | 1.344 | 3.470 | | | | | |
| | Average centralized decisions | .020 | .050 | .021 | .407 | .685 | -.078 | .119 | .008 | .026 | .018 | .714 | 1.400 |
| | Q1P3Def | .114 | .060 | .187 | 1.897 | .059 | -.004 | .232 | .189 | .121 | .084 | .201 | 4.970 |
| | Q2P3Def | -.017 | .052 | -.028 | -.322 | .748 | -.120 | .086 | .129 | -.021 | -.014 | .261 | 3.827 |
| | Q3P3Def | -.011 | .071 | -.016 | -.148 | .882 | -.150 | .129 | .211 | -.010 | -.007 | .175 | 5.716 |
| | Q4P3Def | -.045 | .052 | -.072 | -.853 | .394 | -.148 | .059 | .115 | -.055 | -.038 | .274 | 3.650 |
| | Q5P3Anzs | .071 | .035 | .114 | 2.008 | .046 | .001 | .141 | .031 | .128 | .089 | .611 | 1.638 |
| | Q6P3Anlz | -.042 | .038 | -.071 | -1.127 | .261 | -.117 | .032 | .117 | -.072 | -.050 | .489 | 2.044 |
| | Q7P3Analyz | -.033 | .035 | -.061 | -.937 | .350 | -.102 | .036 | -.240 | -.060 | - | .457 | 2.187 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | .041 | | |
| | Q8P3Analyz | -.024 | .036 | -.042 | -.665 | .507 | -.094 | .046 | -.078 | -.043 | -.029 | .480 | 2.082 |
| | Q9P3Prosp | -.119 | .064 | -.202 | -1.857 | .065 | -.245 | .007 | .156 | -.119 | -.082 | .166 | 6.022 |
| | Q10P3Prosp | .091 | .070 | .143 | 1.305 | .193 | -.046 | .228 | .261 | .084 | .058 | .164 | 6.114 |
| | Q11P3Prosp | .035 | .078 | .054 | .453 | .651 | -.119 | .189 | .176 | .029 | .020 | .140 | 7.127 |
| | Q12P3Prosp | .023 | .053 | .038 | .445 | .657 | -.080 | .127 | .109 | .029 | .020 | .264 | 3.792 |
| | Q13P3React | .019 | .035 | .035 | .537 | .592 | -.050 | .087 | .196 | .034 | .024 | .470 | 2.126 |
| | Q14P3React | -.029 | .031 | -.058 | -.955 | .341 | -.090 | .031 | .039 | -.061 | -.042 | .539 | 1.856 |
| | Q15P3React | -.027 | .041 | -.047 | -.663 | .508 | -.108 | .053 | .122 | -.043 | -.029 | .393 | 2.545 |
| | Q16P3React | -.073 | .034 | -.131 | -2.153 | .032 | -.140 | -.006 | -.206 | -.137 | -.095 | .532 | 1.880 |
| | q1Centralized Operation Decisions1 | -.067 | .052 | -.111 | -1.290 | .198 | -.169 | .035 | .004 | -.083 | -.057 | .266 | 3.752 |
| | q2Centralized Operation Decisions2 | .189 | .072 | .277 | 2.634 | .009 | .048 | .331 | .093 | .167 | .116 | .177 | 5.638 |
| | q3Centralized Operation Decisions3 | -.082 | .062 | -.127 | -1.338 | .182 | -.203 | .039 | .027 | -.086 | -.059 | .219 | 4.576 |
| | q4Centralized Operation Decisions4 | .056 | .063 | .087 | .896 | .371 | -.068 | .181 | .029 | .057 | .040 | .209 | 4.788 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | q5Centralized Operation Decisions5 | -.005 | .061 | -.008 | -.077 | .938 | -.124 | .115 | .008 | -.005 | -.003 | .206 | 4.851 |
| | q6Centralized Operation Decisions6 | .001 | .053 | .001 | .012 | .991 | -.105 | .106 | .051 | .001 | .001 | .275 | 3.639 |
| | q7Centralized Operation Decisions7 | .088 | .056 | .145 | 1.565 | .119 | -.023 | .198 | .051 | .100 | .069 | .227 | 4.402 |
| | q8Centralized Operation Decisions8 | -.226 | .059 | -.342 | -3.814 | .000 | -.343 | -.109 | -.005 | -.238 | -.169 | .243 | 4.120 |
| | q9Centralized Operation Decisions9 | .020 | .059 | .029 | .331 | .741 | -.097 | .136 | .093 | .021 | .015 | .254 | 3.940 |
| | q10Centralized Operation Decisions10 | .000 | .062 | .000 | .006 | .996 | -.122 | .123 | .049 | .000 | .000 | .268 | 3.732 |
| | q11Centralized Financial Decisions11 | .029 | .088 | .036 | .327 | .744 | -.144 | .202 | .052 | .021 | .014 | .164 | 6.090 |
| | q12Centralized Financial Decisions12 | .017 | .101 | .021 | .170 | .865 | -.182 | .217 | .032 | .011 | .008 | .125 | 8.000 |
| | q13Centralized Financial Decisions13 | .075 | .090 | .091 | .834 | .405 | -.102 | .252 | -.003 | .054 | .037 | .165 | 6.061 |
| | q14Centralized Financial Decisions14 | -.093 | .069 | -.119 | -1.356 | .176 | -.229 | .042 | .040 | -.087 | -.060 | .254 | 3.933 |
| | q15Centralized Financial Decisions15 | .052 | .076 | .065 | .684 | .495 | -.098 | .202 | -.036 | .044 | .030 | .213 | 4.689 |
| | q16Centralized Strategic Decisions16 | -.068 | .081 | -.084 | -.840 | .402 | -.229 | .092 | .013 | -.054 | -.037 | .193 | 5.168 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | q17Centralized Strategic Decisions17 | -.074 | .085 | -.101 | -.876 | .382 | -.242 | .093 | .013 | -.056 | -.039 | .146 | 6.832 |
| | 18Centralized Strategic Decisions18 | .188 | .069 | .272 | 2.705 | .007 | .051 | .325 | .116 | .171 | .120 | .193 | 5.173 |
| | q19Centralized strategic Decisions19 | -.063 | .076 | -.085 | -.833 | .406 | -.212 | .086 | .073 | -.053 | -.037 | .188 | 5.323 |
| | Q1Ownership by family only | -.046 | .045 | -.078 | -1.012 | .313 | -.136 | .044 | -.086 | -.065 | -.045 | .328 | 3.049 |
| | Q2Ownership by family only | -.038 | .031 | -.074 | -1.236 | .218 | -.099 | .023 | -.078 | -.079 | -.055 | .545 | 1.836 |
| | Q3Management by family only | .004 | .064 | .006 | .061 | .951 | -.122 | .130 | -.048 | .004 | .003 | .211 | 4.743 |
| | Q4Board is Supervising by family only | -.084 | .072 | -.129 | -1.172 | .242 | -.226 | .057 | -.023 | -.075 | -.052 | .160 | 6.236 |
| | Q5Majority of Management Board memebers | .074 | .054 | .116 | 1.388 | .166 | -.031 | .180 | .026 | .089 | .061 | .281 | 3.556 |
| | Q6First generation ownership | -.041 | .033 | -.082 | -1.232 | .219 | -.106 | .024 | -.075 | -.079 | -.054 | .437 | 2.290 |
| | Q7Second generation ownership | -.018 | .035 | -.038 | -.511 | .610 | -.087 | .051 | .043 | -.033 | -.023 | .346 | 2.892 |
| | Q8Third genration ownership | .222 | .053 | .429 | 4.182 | .000 | .118 | .327 | .151 | .260 | .185 | .186 | 5.371 |
| | Q9Fourth generation ownership | -.043 | .046 | -.081 | -.940 | .348 | -.134 | .047 | -.075 | -.060 | -.042 | .264 | 3.794 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q10First generation Management | .057 | .034 | .122 | 1.665 | .097 | -.010 | .124 | -.010 | .106 | .074 | .367 | 2.725 |
| | Q11Second generation Management | .026 | .036 | .054 | .709 | .479 | -.045 | .097 | .061 | .046 | .031 | .333 | 3.007 |
| | Q12Third genration Management | -.155 | .051 | -.302 | -3.009 | .003 | -.256 | -.053 | .047 | -.190 | -.133 | .194 | 5.149 |
| | Q13Fourth generation Management | .015 | .051 | .031 | .303 | .762 | -.085 | .116 | -.025 | .019 | .013 | .190 | 5.263 |
| | Q14Family Influence on Business | -.050 | .045 | -.089 | -1.103 | .271 | -.139 | .039 | -.077 | -.071 | -.049 | .300 | 3.330 |
| | Q15Family members share similar Values | -.029 | .073 | -.041 | -.392 | .695 | -.173 | .115 | .103 | -.025 | -.017 | .177 | 5.647 |
| | Q16Family and business share similar values | .168 | .081 | .221 | 2.083 | .038 | .009 | .327 | .115 | .133 | .092 | .173 | 5.777 |
| | Q17Family stands behind the business | -.055 | .057 | -.079 | -.968 | .334 | -.168 | .057 | .056 | -.062 | -.043 | .292 | 3.422 |
| | Q18Family to contribute highest effort to the success of the firm | -.053 | .080 | -.068 | -.664 | .507 | -.211 | .104 | .058 | -.043 | -.029 | .185 | 5.393 |
| | Q19Family is proud to be part of the family firm | -.001 | .104 | -.002 | -.012 | .990 | -.207 | .204 | .035 | -.001 | -.001 | .130 | 7.668 |
| | Q20Family is loyal to the firm | -.082 | .106 | -.101 | -.771 | .441 | -.291 | .127 | .023 | -.050 | -.034 | .115 | 8.732 |
| | Q21Family agrees with the | .156 | .088 | .174 | 1.784 | .076 | -.016 | .328 | .108 | .114 | .079 | .205 | 4.882 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | family firm goals, plans, and policies | | | | | | | | | | | | |
| | Q22Family is interested in firm development | .050 | .096 | .060 | .523 | .602 | -.139 | .239 | .041 | .034 | .023 | .149 | 6.725 |
| | Q23Family derives long-term personal profit | .090 | .083 | .118 | 1.085 | .279 | -.073 | .252 | .004 | .070 | .048 | .164 | 6.081 |
| | Q24Family believes in having united values | -.276 | .083 | -.335 | -3.309 | .001 | -.440 | -.112 | .020 | -.208 | -.146 | .191 | 5.230 |
| | Q25Family involvement in the firm has a positive influence on his life | .040 | .093 | .046 | .431 | .667 | -.143 | .223 | .060 | .028 | .019 | .168 | 5.950 |
| | Q26Family support the decisions regatd the firm's future | .027 | .100 | .032 | .272 | .786 | -.169 | .224 | .071 | .018 | .012 | .141 | 7.080 |
| | q1Dynamism Tecnology in the main industry | .078 | .041 | .125 | 1.913 | .057 | -.002 | .158 | .346 | .122 | .085 | .456 | 2.192 |
| | q2Dynamism The innovation percentage in daily operations | .418 | .078 | .403 | 5.376 | .000 | .265 | .571 | .478 | .327 | .238 | .348 | 2.875 |
| | q3Dynamism Innovation Production | .063 | .087 | .060 | .731 | .466 | -.107 | .234 | .319 | .047 | .032 | .293 | 3.413 |
| | q4Dynamism Services | -.092 | .069 | -.092 | -1.329 | .185 | -.227 | .044 | .151 | -.085 | -.059 | .407 | 2.456 |
| | q5Dynamism The R & D in | .056 | .042 | .089 | 1.358 | .176 | -.025 | .138 | -.050 | .087 | .060 | .459 | 2.180 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | family work | | | | | | | | | | | |
| | q6Dynamism The flow information that the firm need | -.113 | .049 | -.159 | -2.295 | .023 | -.210 | -.016 | -.039 | -.146 | -.101 | .407 | 2.455 |
| | q7Hostility Market activities of our key competitors | .003 | .047 | .004 | .063 | .949 | -.090 | .096 | .015 | .004 | .003 | .511 | 1.957 |
| | q11Hostility Quality | .010 | .039 | .014 | .264 | .792 | -.066 | .087 | -.037 | .017 | .012 | .655 | 1.528 |
| | q12Hostility of stock resources flow | -.110 | .042 | -.145 | -2.611 | .010 | -.193 | -.027 | -.084 | -.166 | -.115 | .638 | 1.568 |
| | Firm Size | .001 | .001 | .119 | 2.041 | .042 | .000 | .002 | .176 | .130 | .090 | .573 | 1.746 |

a. Dependent Variable: performance

# Appendix G

# Table of Multicollinearity Tolerance and Variance Inflation Factors (VIF)

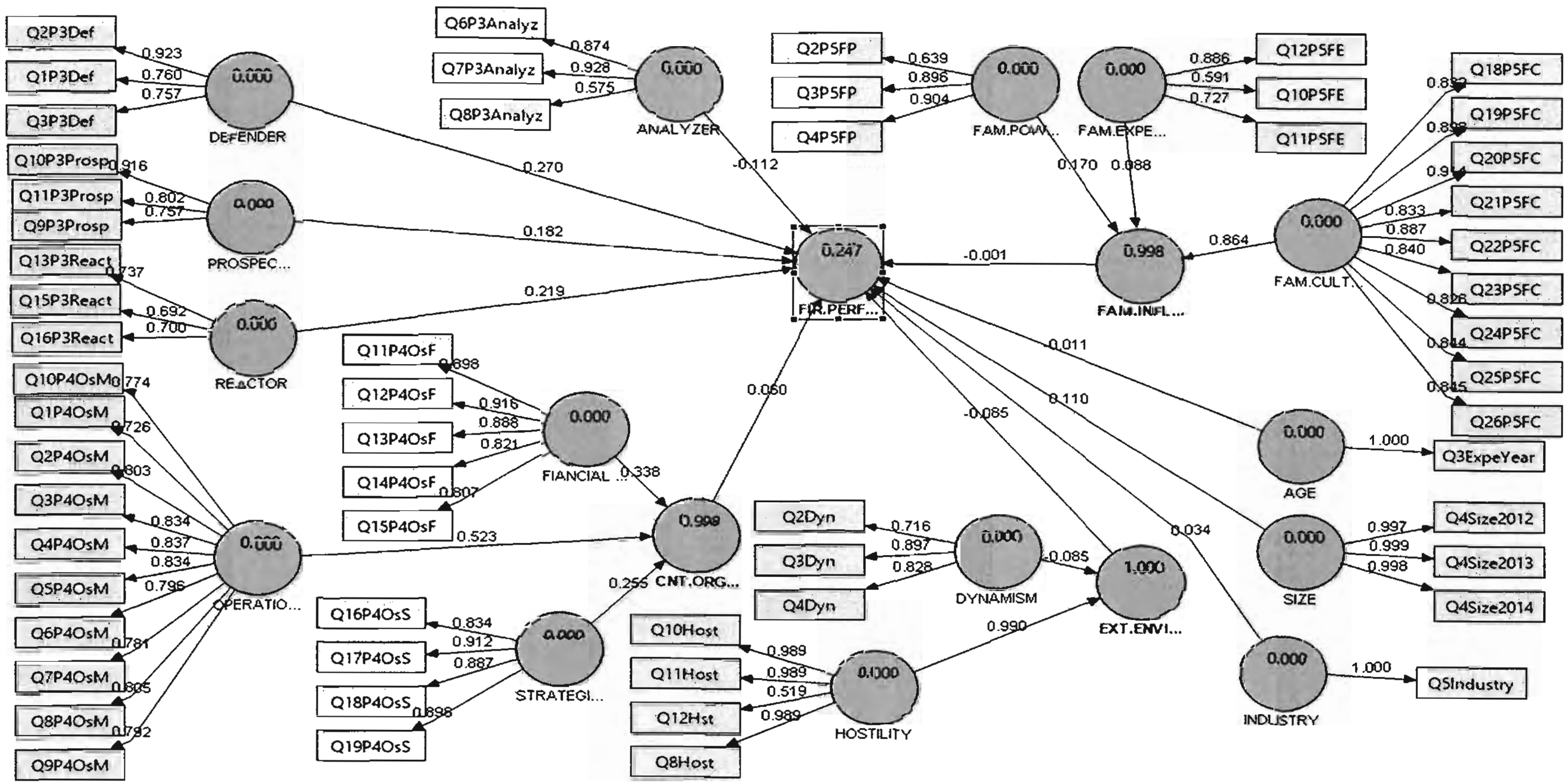
| (Constant) | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| Our business attempts to locate and maintain a secure niche in a relatively stable product or service area, | 0.243 | 4.11 |
| Our business tends to offer a more limited range of products or services compared to competitors, | 0.195 | 5.138 |
| Our business focuses on optimizing the operative business, | 0.251 | 3.976 |
| Our business is at the forefront of developments in the industry. | 0.112 | 8.926 |
| Our business is not at the forefront of developments in the industry. | 0.246 | 4.071 |
| Our business attempts to maintain a stable, limited line of products or services, | 0.524 | 1.909 |
| Our business while at the same time moves into selected new markets or services, | 0.493 | 2.028 |
| Our business is seldom "first in" with new products or services, | 0.44 | 2.27 |
| Our business can, however, frequently be "second in" with a more cost-efficient product or service. | 0.453 | 2.206 |
| Our business operates within a broad product-market domain that undergoes periodic redefinition, | 0.231 | 4.334 |
| Our business values being "first in" in new product and market areas, | 0.16 | 6.244 |
| Our business does not maintain market strength in all of the areas it enters. | 0.21 | 4.761 |
| Our business maintains market strength in all of the areas it enters. | 0.158 | 6.329 |
| Our business responds rapidly to areas of opportunity, which often leads to competitive actions, | 0.205 | 4.89 |
| Our business does not appear to have a consistent product-market orientation, | 0.212 | 4.706 |
| Our business is neither aggressive in maintaining established products and markets, | 0.187 | 5.35 |
| Our business nor willing to take as many risks as other competitors, | 0.242 | 4.129 |
| Our business rather, responds in those areas where it forced by environmental pressures. | 0.26 | 3.849 |
| Our business is willing to take as many risks as other competitors, | 0.159 | 6.289 |
| Hiring/releasing personnel done by top management only | 0.275 | 3.638 |
| Determining wages done by top Management only | 0.166 | 6.017 |
| Creating / changing production plan done by top management | 0.218 | 4.591 |

| | | |
|---|---|---|
| only | | |
| Starting/stopping R&D projects done by top management only | 0.208 | 4.811 |
| *Determining marketing concepts done by top management only* | *0.217* | *4.607* |
| Determining product prices done by top management only | 0.255 | 3.914 |
| Choosing / changing suppliers done by top management only | 0.221 | 4.515 |
| Determining / changing warehouse policy do by top Management only | 0.242 | 4.124 |
| Implementing / changing IT-systems done by top management only | 0.254 | 3.938 |
| Opening /closing locations do by top management only | 0.263 | 3.796 |
| Planning / determining budgets done by top management only | 0.158 | 6.348 |
| Deciding about the form of financing done by top management only | 0.13 | 7.679 |
| Reviewing / approving investments done by top management only | 0.158 | 6.34 |
| Allocating profits done by top management only | 0.278 | 3.591 |
| Planning/controlling liquidity done by top management only | 0.205 | 4.884 |
| Decision to decide on corporate strategy do by top Management only | 0.188 | 5.319 |
| Decision to decide on business strategy do by top Management only | 0.137 | 7.322 |
| Decision to decide on executive development do by top Management only | 0.174 | 5.755 |
| Decision to exert long-term strategic planning do by top Management only | 0.188 | 5.32 |
| Family owns the entire firm. | 0.327 | 3.054 |
| Family owns the majority of the firm | 0.523 | 1.913 |
| Family are supervising the firm now | 0.207 | 4.837 |
| Family controls the board of directors | 0.165 | 6.045 |
| Family members are the majority of the board of directors | 0.283 | 3.527 |
| Family first generation owns the firm now | 0.419 | 2.389 |
| Family second generation owns the firm now | 0.352 | 2.844 |
| Family third generation owns the firm now | 0.186 | 5.389 |
| Family fourth generation is owning the firm now | 0.253 | 3.947 |
| Family first generation is managing the firm now | 0.355 | 2.815 |
| Family second generation is managing the firm now | 0.34 | 2.939 |
| Family third generation is managing the firm now | 0.19 | 5.255 |
| Family fourth generation is managing the firm now | 0.179 | 5.596 |
| Your family has influence on your business | 0.293 | 3.417 |
| Your family members share similar values | 0.174 | 5.742 |
| Your family and business share similar values | 0.178 | 5.627 |
| The family stands behind the business in discussions with friends, employees and other family members | 0.283 | 3.54 |
| The family is willing to contribute highest effort to the success of the firm | 0.177 | 5.643 |

| | | |
|---|---|---|
| **The family is proud to be part of the family firm** | 0.129 | 7.746 |
| **The family is loyal to the firm** | 0.11 | 9.093 |
| **The family *agrees with the family firm goals, plans, and policies*** | *0.206* | 4.852 |
| **The family is interested in firm development** | 0.145 | 6.913 |
| **The family derives long-term personal profit** | 0.176 | 5.691 |
| **The family believes in having united values** | 0.191 | 5.246 |
| **I as a family member perceive that my involvement in the firm has a *positive influence on my life*** | 0.169 | 5.921 |
| **I as a family member understand and support family decisions regarding the future of the family firm** | 0.135 | 7.404 |
| **Production technology in your principal industry has been developed** | 0.459 | 2.178 |
| **The rate of innovation of new operating processes in principal industry has been reduced** | 0.344 | 2.906 |
| **The rate of innovation of new production processes in principal industry has been reduced** | 0.286 | 3.495 |
| **The rate of innovation of new services in principal industry has been reduced** | 0.401 | 2.496 |
| **R & D activities in our principal industry has been reduced** | 0.463 | 2.162 |
| **The flow of information that we need been reduced.** | 0.41 | 2.439 |
| **Market activities of our key competitors have become more hostile** | 0.498 | 2.007 |
| **Market activity of our key competitors has a negative effect on our firms' in quality than before.** | 0.649 | 1.54 |
| **Now, the flow of stock resources we need affect our firm negatively.** | 0.623 | 1.606 |

# Appendix H

## Figure of the Measurement Model



# Appendix I

## The Average Variance Extracted, Composite Reliability before Grouping

| | AVE | Composite Reliability | R Square | Cronbachs Alpha |
|---|---|---|---|---|
| **Defender** | 0.667403 | 0.856447 | | 0.744411 |
| **Analyzer** | 0.651787 | 0.843950 | | 0.763848 |
| **Prospector** | 0.684835 | 0.866246 | | 0.770715 |
| **Reactor** | 0.504046 | 0.752880 | | 0.525654 |
| **Organizational structure** | 0.563966 | 0.958668 | 0.998456 | 0.954150 |
| **Financial decisions** | 0.752022 | 0.937985 | | 0.916920 |
| **Operational decisions** | 0.637849 | 0.946192 | | 0.936688 |
| **Strategic decisions** | 0.780258 | 0.934155 | | 0.905811 |
| **Family influence** | 0.504161 | 0.931603 | 0.997728 | 0.918554 |
| **Family power** | 0.676288 | 0.859702 | | 0.758664 |
| **Family experience** | 0.554862 | 0.784558 | | 0.575022 |
| **Family culture** | 0.736596 | 0.961737 | | 0.955087 |
| **External environment** | 0.536506 | 0.784694 | 0.999598 | 0.703062 |
| **Hostility** | 0.800358 | 0.938294 | | 0.899968 |
| **Dynamism** | 0.667744 | 0.856711 | | 0.754440 |
| **Family firm performance** | 0.512043 | 0.938666 | 0.246775 | 0.928273 |

# Appendix J

## The Latent Construct Loadings, Composite Reliability and AVE

| Variable | Latent Constructs and Indicators | Standardizes Loading | Average Variance Extracted AVE | Composite Reliability | Cronbachs Alpha |
|---|---|---|---|---|---|
| Defender | | | 0.6721 | 0.8609 | 0.744 |
| | Q1Def | 0.67 | | | |
| | Q2Def | 0.92 | | | |
| | Q3Def | 0.75 | | | |
| Analyzer | | | 0.6546 | 0.8464 | 0.760 |
| | Q6Analyz | 0.87 | | | |
| | Q7Analyz | 0.92 | | | |
| | Q8Analyz | 0.57 | | | |
| Prospector | | | 0.685 | 0.9301 | 0.770 |
| | Q9Prosp. | 0.75 | | | |
| | Q10Prosp | 0.915 | | | |
| | Q11Prosp | 0.80 | | | |
| Reactor | | | 0.508 | 0.9172 | 0.529 |
| | Q13React | 0.73 | | | |
| | Q15React | 0.69 | | | |
| | Q16React | 0.70 | | | |
| Organization structure | | | 0.564 | 0.9587 | 0.954 |
| | Operational Decision | | | | |
| | Q1OsM | 0.64 | | | |
| | Q2OsM | 0.79 | | | |
| | Q3OsM | 0.77 | | | |
| | Q4OsM | 0.78 | | | |
| | Q5OsM | 0.76 | | | |
| | Q6OsM | 0.74 | | | |
| | Q7OsM | 0.71 | | | |
| | Q8OsM | 0.77 | | | |
| | Q9OsM | 0.78 | | | |
| | Q10OsM | 0.76 | | | |
| | Financial decisions | | | | |
| | Q11OsF | 0.78 | | | |
| | Q12OsF | 0.76 | | | |
| | Q13OsF | 0.705 | | | |
| | Q14OsF | 0.655 | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Q15OsF | 0.60 | | | |
| | OS. Strategic Decision | | 0.7676 | 0.929 | |
| | Q16OsS | 0.76 | | | |
| | Q17OsS | 0.72 | | | |
| | Q18OsS | 0.76 | | | |
| | Q19OsS | 0.75 | | | |
| Family influence | | | 0.504 | 0.932 | 0.918 |
| | F. Power | | | | |
| | Q2FP | 0.676 | | | |
| | Q3FP | 0.887 | | | |
| | Q4FP | 0.997 | | | |
| | F. Experience | | | | |
| | Q10FE | 0.369 | | | |
| | Q11FE | 0.447 | | | |
| | Q12FE | 0.443 | | | |
| | F. Culture | | | | |
| | Q18FC | 0.725 | | | |
| | Q19FC | 0.850 | | | |
| | Q20FC | 0.845 | | | |
| | Q21FC | 0.830 | | | |
| | Q22FC | 0.825 | | | |
| | Q23FC | 0.726 | | | |
| | Q24FC | 0.710 | | | |
| | Q25FC | 0.810 | | | |
| | Q26FC | 0.805 | | | |
| External environment | | | 0.586 | 0.896 | 0.866 |
| | QF. Dynamism | | | | |
| | Q1Dyn | 0.725 | | | |
| | Q2Dyn | 0.850 | | | |
| | Q3Dyn | 0.845 | | | |
| | QF. *Hostility* | | | | |
| | Q7Hst | 0.156 | | | |
| | Q8Hst | 0.145 | | | |
| Family Firm Performance | | | 0.5108 | 0.9385 | 0.923 |
| | Financial Performance | | | | |
| | Q1Sales2012 | 0.7132 | | | |
| | Q2Sales2013 | 0.8105 | | | |
| | Q3Sales2014 | 0.6256 | | | |
| | Q4EBIT2012 | 0.7505 | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Q5PEBIT2013 | 0.8441 | | | |
| | Q6EBIT2014 | 0.6517 | | | |
| | Q7ROE2012 | 0.7935 | | | |
| | Q8ROE2013 | 0.835 | | | |
| | Q9ROE2014 | 0.710 | | | |
| | Q10ROA2012 | 0.803 | | | |
| | Q11ROA2013 | 0.8284 | | | |
| | Q12ROA2014 | 0.695 | | | |
| | Perceived Performance | | | | |
| | Q13Magt | 0.545 | | | |
| | Q14Object | 0.534 | | | |

# Appendix K

## Outer Loadings

| | ANALYZER | CNT.ORGANIZATIONAL STRUCTUR | DEFENDER |
|---|---|---|---|
| Family EX | | | |
| Q10Host | | | |
| Q10Host | | | |
| Q10P2ROA2012 | | | |
| Q10P3Prosp | | | |
| Q10P4OsM | | | |
| Q10P4OsM | | 0.777940 | |
| Q10P5FE | | | |
| Q11Host | | | |
| Q11Host | | | |
| Q11P2ROA2013 | | | |
| Q11P3Prosp | | | |
| Q11P4OsF | | | |
| Q11P4OsF | | 0.821154 | |
| Q11P5FE | | | |
| Q11P5FE | | | |
| Q11P5FE | | | |
| Q12Hst | | | |
| Q12Hst | | | |
| Q12P2ROA2014 | | | |
| Q12P4OsF | | | |
| Q12P4OsF | | 0.821078 | |
| Q12P5FE | | | |
| Q13P2MagtP | | | |
| Q13P3React | | | |
| Q13P4OsF | | | |
| Q13P4OsF | | 0.773753 | |
| Q14P2ObjectP | | | |
| Q14P4OsF | | | |
| Q14P4OsF | | 0.699037 | |
| Q15P2ComtitorsP | | | |
| Q15P3React | | | |
| Q15P4OsF | | | |
| Q15P4OsF | | 0.700578 | |
| Q16P3React | | | |
| Q16P4OsS | | | |
| Q16P4OsS | | 0.797496 | |
| Q17P4OsS | | | |
| Q17P4OsS | | 0.712058 | |
| Q18P4OsS | | | |
| Q18P4OsS | | 0.704048 | |

| | | | |
|---|---|---|---|
| **Q18P5FC** | | | |
| **Q18P5FC** | | | |
| **Q19P4OsS** | | | |
| **Q19P4OsS** | | 0.708805 | |
| **Q19P5FC** | | | |
| **Q19P5FC** | | | |
| **Q1P2Sales2012** | | | |
| **Q1P3Def** | | | 0.760237 |
| **Q1P4OsM** | | | |
| **Q1P4OsM** | | 0.681414 | |
| **Q20P5FC** | | | |
| **Q20P5FC** | | | |
| **Q21P5FC** | | | |
| **Q21P5FC** | | | |
| **Q22P5FC** | | | |
| **Q22P5FC** | | | |
| **Q23P5FC** | | | |
| **Q23P5FC** | | | |
| **Q24P5FC** | | | |
| **Q24P5FC** | | | |
| **Q25P5FC** | | | |
| **Q25P5FC** | | | |
| **Q26P5FC** | | | |
| **Q26P5FC** | | | |
| **Q2Dyn** | | | |
| **Q2P2Sales2013** | | | |
| **Q2P3Def** | | | 0.922536 |
| **Q2P4OsM** | | | |
| **Q2P4OsM** | | 0.792683 | |
| **Q2P5FP** | | | |
| **Q2P5FP** | | | |
| **Q3Dyn** | | | |
| **Q3Dyn** | | | |
| **Q3P2Sales2014** | | | |
| **Q3P3Def** | | | 0.757084 |
| **Q3P4OsM** | | | |
| **Q3P4OsM** | | 0.780799 | |
| **Q3P5FP** | | | |
| **Q3P5FP** | | | |
| **Q4Dyn** | | | |
| **Q4Dyn** | | | |
| **Q4P2EBIT2012** | | | |
| **Q4P4OsM** | | | |
| **Q4P4OsM** | | 0.793586 | |
| **Q4P5FP** | | | |
| **Q4P5FP** | | | |
| **Q5P2EBIT2013** | | | |
| **Q5P4OsM** | | | |
| **Q5P4OsM** | | 0.776162 | |

| | | | |
|---|---|---|---|
| **Q6P2EBIT2014** | | | |
| **Q6P3Analyz** | 0.873630 | | |
| **Q6P4OsM** | | | |
| **Q6P4OsM** | | 0.715906 | |
| **Q7P2ROE2012** | | | |
| **Q7P3Analyz** | 0.928020 | | |
| **Q7P4OsM** | | | |
| **Q7P4OsM** | | 0.700827 | |
| **Q8Host** | | | |
| **Q8Host** | | | |
| **Q8P2ROE2013** | | | |
| **Q8P3Analyz** | 0.575249 | | |
| **Q8P4OsM** | | | |
| **Q9P2ROE2014** | | | |
| **Q9P3Prosp** | | | |
| **Q9P4OsM** | | | |
| **Q9P4OsM** | | 0.735025 | |

# Appendix L

## Cross Loading

| | ANALYZER | CNT.ORGANIZATIONAL STRUCTUR | DEFENDER | EXT.ENVIRONMENT | FAM.INFLUENCE | FIR.PERFORMANCE | PROSPECTOT | REACTOR |
|---|---|---|---|---|---|---|---|---|
| **Dynamism** | -0.175622 | 0.124715 | 0.330005 | 0.985464 | 0.177707 | 0.447136 | 0.466346 | 0.163412 |
| **Edynmzm2** | -0.043987 | 0.082245 | 0.264262 | 0.863239 | 0.127555 | 0.320450 | 0.442257 | 0.067517 |
| **FamilyEX** | 0.124191 | 0.011158 | -0.048580 | -0.019286 | 0.364513 | 0.011871 | 0.123153 | -0.045827 |
| **Q10P2ROA2012** | -0.204903 | 0.056843 | 0.204310 | 0.309631 | 0.035888 | 0.809186 | 0.160747 | 0.217800 |
| **Q10P3Prosp** | 0.041842 | 0.047135 | 0.216366 | 0.448112 | 0.193703 | 0.271620 | 0.915310 | -0.056900 |
| **Q10P4OsM** | 0.209402 | 0.765127 | 0.121988 | 0.121141 | 0.133411 | 0.057970 | 0.134769 | -0.185870 |
| **Q11P2ROA2013** | -0.204880 | 0.101916 | 0.245569 | 0.363762 | 0.087190 | 0.821360 | 0.166368 | 0.219393 |
| **Q11P3Prosp** | -0.004517 | -0.001085 | 0.185322 | 0.326029 | 0.105331 | 0.184841 | 0.801329 | -0.013132 |
| **Q11P4OsF** | 0.136947 | 0.784820 | 0.128636 | 0.083441 | 0.230094 | 0.058385 | 0.003478 | -0.135286 |
| **Q11P5FE** | 0.176151 | 0.074217 | -0.027271 | 0.094401 | 0.442680 | 0.060019 | 0.141067 | -0.029512 |
| **Q11 P5FE** | 0.176151 | 0.074217 | -0.027271 | 0.094401 | 0.442680 | 0.060019 | 0.141067 | -0.029512 |
| **Q12P2ROA2014** | -0.021359 | 0.043246 | 0.186416 | 0.291999 | 0.034954 | 0.688167 | 0.173788 | 0.159990 |
| **Q12P4OsF** | 0.135821 | 0.761666 | 0.130895 | 0.039288 | 0.255351 | 0.039246 | 0.009260 | -0.180698 |
| **Q13P2 MagtP** | -0.109596 | 0.107739 | 0.246479 | 0.426538 | 0.171227 | 0.544530 | 0.274031 | 0.174988 |
| **Q13P3React** | -0.23 | 0.011387 | 0.112348 | 0.192030 | 0.063952 | 0.200240 | -0.011 | 0.737964 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1979 | | | | | | 488 | |
| **Q13P4OsF** | 0.185217 | 0.706476 | 0.092393 | 0.046594 | 0.199160 | 0.001408 | 0.040405 | -0.197561 |
| **Q14P2ObjectP** | -0.165665 | 0.146553 | 0.327706 | 0.401728 | 0.039619 | 0.534683 | 0.215637 | 0.025882 |
| **Q14P4OsF** | 0.114978 | 0.656159 | 0.147432 | 0.077467 | 0.242330 | 0.047563 | 0.065650 | -0.107089 |
| **Q15P2ComtitorsP** | -0.187021 | 0.093298 | 0.299048 | 0.352239 | 0.050878 | 0.466608 | 0.200560 | 0.115025 |
| **Q15P3React** | -0.390272 | -0.201012 | -0.176352 | 0.099174 | -0.020883 | 0.120834 | -0.018330 | 0.692510 |
| **Q15P4OsF** | 0.155389 | 0.607821 | 0.175083 | 0.075797 | 0.215565 | -0.021753 | 0.150707 | -0.105257 |
| **Q16P3React** | -0.428937 | -0.084621 | 0.002851 | 0.030507 | -0.150017 | 0.203447 | -0.106831 | 0.698797 |
| **Q16P4OsS** | 0.099046 | 0.765202 | 0.171212 | 0.077907 | 0.132233 | 0.019495 | -0.010308 | -0.103899 |
| **Q17P4OsS** | 0.126932 | 0.722691 | 0.201373 | 0.083620 | 0.132441 | 0.025021 | -0.080522 | -0.125209 |
| **Q18P4OsS** | 0.070257 | 0.767350 | 0.194692 | 0.119716 | 0.114300 | 0.123052 | -0.055639 | 0.004210 |
| **Q18P5FC** | -0.072766 | 0.245114 | 0.147484 | 0.138109 | 0.725135 | 0.062180 | 0.058708 | -0.055393 |
| **Q19P4OsS** | 0.011707 | 0.748878 | 0.190878 | 0.099688 | 0.163542 | 0.077795 | -0.051818 | -0.035099 |
| **Q19P5FC** | -0.013441 | 0.253473 | 0.093678 | 0.099892 | 0.851033 | 0.042065 | 0.029759 | -0.057108 |
| **Q1Dyn** | -0.159941 | 0.082432 | 0.238878 | 0.734916 | 0.142542 | 0.361470 | 0.333641 | 0.249722 |
| **Q1P2Sales2012** | -0.157708 | 0.009899 | 0.193523 | 0.330435 | 0.137380 | 0.717517 | 0.175742 | 0.173097 |
| **Q1P3Def** | 0.023115 | 0.234227 | 0.761127 | 0.274916 | 0.062985 | 0.270953 | 0.132523 | 0.099193 |
| **Q1P4OsM** | 0.108667 | 0.643942 | 0.128494 | 0.097230 | 0.127651 | 0.019479 | 0.116191 | -0.090332 |
| **Q20P5FC** | 0.001222 | 0.193003 | 0.123278 | 0.101449 | 0.846657 | 0.025143 | 0.072615 | -0.06 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **IT2012** | 0.190435 | | 3882 | | 0 | | 042 | 6826 |
| **Q4P4OsM** | 0.189247 | 0.782155 | 0.179315 | 0.083461 | 0.103473 | 0.040598 | 0.083292 | -0.119953 |
| **Q4P5FP** | -0.013500 | 0.415275 | 0.102221 | 0.032162 | 0.426468 | -0.012800 | -0.070639 | -0.010795 |
| **Q5P2EBIT2013** | -0.178894 | 0.069475 | 0.200676 | 0.335650 | 0.084307 | 0.842491 | 0.234998 | 0.261663 |
| **Q5P4OsM** | 0.258582 | 0.764551 | 0.190146 | 0.148636 | 0.114606 | 0.018340 | 0.061880 | -0.123329 |
| **Q6P2EBIT2014** | -0.118164 | 0.039789 | 0.192956 | 0.216737 | 0.049173 | 0.644922 | 0.108616 | 0.169466 |
| **Q6P3Analyz** | 0.873046 | 0.093558 | 0.179703 | -0.016532 | 0.048965 | -0.087158 | 0.181072 | -0.379078 |
| **Q6P4OsM** | 0.075052 | 0.747494 | 0.241288 | 0.158688 | 0.105869 | 0.064196 | 0.051997 | -0.071006 |
| **Q7P2ROE2012** | -0.196817 | 0.083755 | 0.232385 | 0.297812 | 0.071990 | 0.793885 | 0.142392 | 0.199236 |
| **Q7P3Analyz** | 0.928805 | 0.159170 | 0.011794 | -0.202062 | 0.074894 | -0.247401 | -0.041653 | -0.438222 |
| **Q7P4OsM** | 0.097319 | 0.711802 | 0.190587 | 0.159282 | 0.099390 | 0.064801 | 0.051639 | -0.007015 |
| **Q8P2ROE2013** | -0.174560 | 0.128574 | 0.258611 | 0.366629 | 0.073710 | 0.836839 | 0.204590 | 0.223847 |
| **Q8P3Analyz** | 0.573603 | 0.082372 | -0.060239 | -0.103396 | -0.000271 | -0.086644 | 0.005439 | -0.354174 |
| **Q9P2ROE2014** | -0.094791 | 0.044149 | 0.193975 | 0.260257 | 0.083808 | 0.707794 | 0.106439 | 0.186984 |
| **Q9P3Prosp** | -0.009866 | -0.002209 | 0.261827 | 0.355083 | 0.083879 | 0.172692 | 0.758168 | -0.111126 |
| **Q9P4OsM** | 0.165227 | 0.781290 | 0.140079 | 0.114466 | 0.110846 | 0.096188 | 0.022373 | -0.051822 |

# Appendix M

## Table of the Total Effects of the Model

| | Original Sample (O) | Standard Error (STERR) | T Statistics (\|O/STERR\|) | p- value |
|---|---|---|---|---|
| **Defender ->family firm performance** | 0.180215 | 0.051469 | 3.501463 | .000376*** |
| **Defender * family influence -> family firm performance** | -0.159877 | 0.061471 | 2.600846 | .005515** |
| **Defender * External Environment -> family firm performance** | -0.1427 | 0.0861 | 1.6565 | .05073* |
| **Analyzer -> family firm performance** | -0.082680 | 0.053559 | 1.543734 | .063256* |
| **Analyzer * family influence -> family firm performance** | -0.1427 | 0.0861 | 1.6565 | .05073* |
| **Analyzer * External Environment -> family firm performance** | -0.004346 | 0.061069 | 0.071164 | .471746 |
| **Prospector -> family firm performance** | 0.102399 | 0.051213 | 1.999477 | .024438** |
| **Prospector * family influence -> family firm performance** | 0.010260 | 0.093756 | 0.109434 | .456576 |
| **Prospector * External Environment -> family firm performance** | 0.144482 | 0.091824 | 1.573461 | .059738* |
| **Reactor -> family firm performance** | 0.241196 | 0.057242 | 4.213650 | .000032*** |
| **Reactor * family influence -> *family firm performance*** | -0.163263 | 0.095603 | 1.707713 | .045738** |
| **Reactor * External Environment -> family firm performance** | 0.098240 | 0.095441 | 1.029329 | .153183 |
| **Centralized Organizational structure ->family firm performance** | 0.438449 | 0.264845 | 1.655492 | .050833* |
| **Centralized Organizational structure * family influence** | -0.406035 | 0.299844 | 1.354153 | .089712* |

| | | | | |
|---|---|---|---|---|
| **-> family firm performance** | | | | |
| **Centralized Organizational structure * External Environment -> family firm performance** | -0.079737 | 0.208654 | 0.382149 | .351688 |
| **Family influence -> family firm performance** | 0.228147 | 0.209340 | 1.089838 | .139497 |
| **External Environment -> family firm performance** | 0.306622 | 0.053526 | 5.728490 | .00001*** |

# Appendix N

## The Measurement Model with Control Variable