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

BY
ISSA M. H. SMIRAT

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


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.

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<tr>
<td>AVE</td>
<td>Average variance extracted</td>
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<tr>
<td>β</td>
<td>Causal path or standardized path coefficient (Beta)</td>
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<tr>
<td>CEO</td>
<td>Chief executive officer</td>
</tr>
<tr>
<td>ρc</td>
<td>Composite reliability</td>
</tr>
<tr>
<td>df</td>
<td>Degrees of freedom</td>
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<tr>
<td>e.g.</td>
<td>Latin for <em>exempli gratia</em>, “for example”</td>
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<tr>
<td>EBIT</td>
<td>Earnings before interest and tax</td>
</tr>
<tr>
<td>et al.</td>
<td>Latin for <em>et alii</em>, “and others”</td>
</tr>
<tr>
<td>etc.</td>
<td>Latin for <em>et cetera</em>, “and other things”</td>
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<tr>
<td>$f^2$</td>
<td>Effective size statistics</td>
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<tr>
<td>EE</td>
<td>External environment</td>
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<td>FF</td>
<td>Family firms</td>
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<td>FFP</td>
<td>Family firm performance</td>
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<tr>
<td>F-Culture</td>
<td>Family culture</td>
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<tr>
<td>F-Experience</td>
<td>Family experience</td>
</tr>
<tr>
<td>FI</td>
<td>Family influence</td>
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<tr>
<td>F-PEC</td>
<td>Family power, experience, and culture</td>
</tr>
<tr>
<td>F-Power</td>
<td>Family power</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<td>GOF</td>
<td>Goodness of fit</td>
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<td>H</td>
<td>Hypothesis</td>
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<tr>
<td>i.e.</td>
<td>Latin for <em>id est</em>, “that is”</td>
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<tr>
<td>IFERA</td>
<td>International Family Enterprise Research Academy</td>
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<tr>
<td>JBV</td>
<td>Journal of Business Venturing</td>
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<tr>
<td>JFBS</td>
<td>Journal of Family Business Strategy</td>
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<tr>
<td>JSBM</td>
<td>Journal of Small Business Management</td>
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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,
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