Socioemotional Wealth, Generational Involvement, and the Manifestation of Entrepreneurial Orientation within Saudi Family Firms

Abstract

This study investigates the impact of socio-emotional wealth (SEW) on family firm entrepreneurial orientation (EO) in a tribalistic society, and the moderating effect of generational involvement on this relationship. Our data set comprises 241 privately, wholly owned family firms in Saudi Arabia. We examine EO as a strategic orientation expressed in terms of both firm behavior, and how managers approach risk-taking attitudinally. Our study finds that SEW is positively related to firms' entrepreneurial behavior, but not managerial attitudes toward risk-taking. However, the positive effects of SEW on firms' entrepreneurial behavior diminish as the number of generations involved in the family business increases. The implications for enabling entrepreneurship in transforming economies adhering to strong cultural norms are discussed.

Keywords: Family firms, entrepreneurial orientation, socioemotional wealth, generational involvement, Saudi Arabia

1. Introduction

The family business is among the most prominent organizational forms around the world (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012), and the primary source of employment and wealth creation in both developed and emerging economies (Masulis, Pham, & Zein, 2011). Family business research recognizes that entrepreneurship plays a significant role in family firm performance and survival (Kellermanns & Eddleston, 2006; Jaskiewicz, Combs, & Rau, 2015). Yet, while some researchers have found that family firms provide a supportive environment for fostering entrepreneurship (Aldrich & Cliff, 2003; Zahra, Hayton, & Salvato, 2004; Miller et al., 2016), others have maintained that family firms are typically conservative and prefer to uphold the status quo - characteristics that impede entrepreneurship (Naldi, Cennamo, Corbetta, & Gomez-Meja, 2007; Gomez-Mejia et al., 2007; Block, 2012). These inconsistencies may partially be explained by cultural norms and the extent of generational involvement in the family business that alter complex relationships between socioemotional wealth (SEW) (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011), and entrepreneurial orientation (EO) (Wales, 2016).

EO comprises two fundamental components: entrepreneurial firm behaviors, or what firms do; and managerial attitudes toward risk-taking, or what managers prefer (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Anderson et al., 2015; Randerson, 2016; Wales, 2016). While attitudes toward risk are strongly correlated with firm behavior, it has been proposed that firms may exhibit entrepreneurial behavior without a corresponding increase in managerial preferences for risk-taking. For example, perceiving that new product-market entry is either the logical course of action to remain competitive in the long-term or an affordable loss (what people are willing or able to lose over the course of some action) requires for attracting new customers (Sarasvathy, 2001; Dew, Sarasvathy, Read, &

Wiltbank, 2009). On this view, scholars posit that entrepreneurial attitudes and behaviors are distinct and separate elements of firm strategic orientation (Anderson et al., 2015).

In this study, we examine SEW in the context of Saudi Arabia, and the extent to which family firm SEW drives both the attitudinal and behavioral elements of EO. Moreover, building upon research which suggests that SEW may vary over the life cycle of family firms (Miller & Le Breton-Miller, 2014; Le Breton-Miller & Miller, 2013), and by generational involvement (Gomez-Mejia et al., 2007, 2011; Schepers, Voordeckers, Steijvers, & Laveren, 2014; Vandemaele & Vancauteren, 2015), we also examine the moderating effect of generational involvement on the relationship between SEW and EO. We carry out these investigations within a tribal society where family firms dominate the business landscape, and societal change has been slow, but accelerating.

Saudi Arabia, an oil rich nation located in the Arabian Gulf, has a stable economy and significant levels of government investment in economic development (Porter, 2012). The population of 32 million (OPEC, 2018), of which 20 million are Saudi nationals (World Bank, 2018), is young and approximately 50% are aged under 30 (GASTAT, 2018). Since 2014, however, the country's significant revenues from natural oil and gas reserves have fallen (Deloitte, 2016) and depressed economic opportunities (World Bank, 2018) and employment in the public sector (Mahajan 2012). In response, the government has recently put in action a National Transformation Program (NTP) to diversify the economy by 2030 with emphasis on developing the private sector and supporting entrepreneurship. Yet, many challenges to developing entrepreneurially-oriented Saudi firms exist. The strong tribal roots of Arab culture indoctrinate youth into valuing security and authority, with many pursuing the comfort of administrative and managerial positions in the public sector (Achoui, 2009; Mahajan, 2012). Nonetheless, some younger generations join their family business but the extent of their influence within the family enterprise is as yet unknown (Achoui, 2009).

Saudi Arabia is characterized by a large family structure where the average household size is 5.6 compared to 2.6 in the US, 2.4 in the UK, and 3.2 in China (UN, 2017). Saudi Arabian society is dominated economically, politically and culturally by the importance of family relationships (Davis, Pitts, & Cormier, 2000). Family reputation is a cultural value that pervades everyday life and family firm success provides an important reputational indicator. As a result, family control over the firm is pivotal to securing, protecting and stewarding the family's social status. Yet, our understanding of the boundary conditions that explain whether and how SEW promotes higher EO is limited, along with the cultural and firm-specific contexts which shape how firms manifest entrepreneurial orientation (Miller, 2011).

We surveyed 241 private wholly-owned family firms in Saudi Arabia. We theorize and observe SEW to be positively related to the firm behavior but not managerial attitudes. Our findings support a new view of EO within the context of Arab family firms. That is, Saudi Arabian family firms that have amassed high SEW support for entrepreneurial behavior to preserve the firm's competitiveness, but intriguingly do not embrace a corresponding increase in managerial risk-taking. This pattern suggests a view of EO within Saudi Arabian family firms that is more affordable loss, than risk driven (Sarasvathy, 2001). We also found that the entrepreneurial behavior of Saudi family firms diminished as the number of generations involved in the family business increased. Given the notable economic and social changes undergone recently in the region, we theorize that any diversity benefits of increased generational involvement are lost due to the increased generational differences in work style, values, and vision that may lead to conflicts in family businesses (Shediac, Shehadi, Bhargava, & Samman, 2013).

Our research offers two contributions which help shape present scholarly dialogue. First, we contribute to the strategic entrepreneurship literature by examining the value of distinguishing between entrepreneurial firm behaviors and managerial attitudes towards risk

when investigating EO (Anderson, Eshima, & Hornsby, 2018; Anderson et al., 2015; Covin & Miles, 1999; Naldi et al., 2007). In doing so, among Saudi family firms with high SEW we clarify that behavioral aspects of EO are increased but observe no significant corresponding increase in managerial attitudes towards risk-taking. In doing so, our research demonstrates that SEW indeed influences the manifestation of firm strategic orientation, but only from a firm behavioral standpoint.

Second, we contribute to the management and family business literature by investigating the moderating effect of generational involvement in EO in Arab family firms. We note that most studies of family business have been conducted in Western Europe and the US, suggesting that there is a need for research to consider a broader geographical and cultural base to advance our understanding of family firm EO (Lumpkin, Steier, & Wright, 2011). In light of the significant presence of family firms in the Middle East, which comprise more than 95 percent of all regional firms (Kets de Vries, Carlock, & Florent-Treacy, 2007), our data from Saudi family firms provides important insights into a central Arabian economy.

2. Theoretical Background and Hypotheses

EO represents what it means for a firm to be entrepreneurial or to act entrepreneurially and is composed of entrepreneurial behaviors and managerial attitudes toward risk (Lumpkin & Dess, 1996; Anderson et al., 2015). The behavioral component of EO captures sustained regeneration (Covin & Miles, 1999) through innovativeness and proactiveness. Innovativeness and proactiveness are necessary dimensions of entrepreneurial behavioral as firms not only create new products but simultaneously develop new markets and opportunities (Anderson et al., 2015; Miles & Snow, 1978; Covin, 1991; Wiklund & Shepherd, 2011). The attitudinal component of EO, managerial attitudes towards risk, describes the desire by senior managers to pursue entrepreneurial opportunities with

uncertain outcomes (Eshima & Anderson, 2017; Anderson et al., 2015; Knight, 1921). Both behavioral and attitudinal components of EO have different antecedent relationships as the former is about observable entrepreneurial behaviors and the latter captures the desire of senior managers to pursue entrepreneurial behaviors (Anderson et al., 2015).

Entrepreneurship scholars have found EO to be a particularly useful framework for investigating family firms (Salvato, 2004; Zahra et al., 2004; Naldi et al., 2007; Kellermanns & Eddleston, 2006; Cruz & Nordqvist, 2012; Garces-Galdeano et al., 2016), observing a generally positive overall relationship between EO and family firm performance (Schepers et al., 2014; Chirico, Sirmon, Sciascia, & Mazzola, 2011). Within family firms, EO has been shown to be augmented by noneconomic factors that comprise their SEW, found either to nurture EO and new opportunities for growth and renewal (Miller et al., 2016), or to constrain EO (Schepers et al., 2014). This may be due to past investigations of EO not considering finer grained elements of firms' strategic orientation.

SEW captures "aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gomez-Mejia et al., 2007, p.106). The protection and enhancement of SEW plays an important role in family firms' entrepreneurial goals (Gomez-Mejia et al., 2007, 2011). Previous research has established that SEW endowment evolves as a family firm passes through generations (Berrone, Cruz, & Gomez-Mejia, 2012; Le Breton-Miller & Miller, 2013; Gomez-Mejia et al., 2011; Miller & Le Breton-Miller, 2014), generally decreasing as firm age and size increase (Schepers et al., 2014). For example, in the olive oil industry, the willingness of family firms to give up control has been shown to increase as firms pass on to later stages of ownership (Gomez-Mejia et al., 2007). In addition, retained earnings have been found to be lower in later generational ownership (Vandemaele & Vancauteren, 2015). This suggests that the strength of SEW may diminish as the firm ages, grows, and involves

more generations in managing and controlling the firm (DeTienne & Chirico, 2013). A weakening of the SEW endowment as more family members from different generations become involved may affect many aspects of family business management (Gomez-Mejia et al., 2011).

Prior SEW research has tended to consider a narrow view of SEW, primarily capturing only family ownership and involvement. Building on past research, we answer calls to explore a more accurate expanded conceptualization of SEW (Berrone et al., 2012; Chua, Chrisman, & De Massis, 2015). We employ Berrone et al's (2012) theorized components of SEW: family member control and influence over strategic decisions; the identification of family members with the firm as a representation of their image, reputation, and social status; social relationships between family members and with external stakeholders; the role of emotions; and the intention to hand the business to the next generation.

In our study, we examine the noneconomic aspects of family firms in the middle-eastern context of Saudi Arabia where unlike western nations, tribalism comprises an important aspect of the culture. Within tribal culture, the family is considered a core pillar of society (Tlaiss & Kauser, 2011) and family cohesion, reputation, and respect for the family are prioritized above self-interest (Gannon & Pillai, 2010). Belonging to a tribe, and a network of genealogical ties, in Saudi Arabia is esteemed with pride and honor (Gannon & Pillai, 2010). Members of the same tribe or family share a deep sense of loyalty towards one another, and these intense relationships provide a life-time of security and stability (Mellahi & Wood, 2001). Collective interests take priority and dominate decision-making. Such tribal cultural values provide a noteworthy context for exploring the relationship between managerial phenomena such as SEW and EO in family firms in Saudi Arabia.

2.1 Family Firm's SEW, Generational Involvement, and Entrepreneurial Behavior

On its own, family control and influence, the first component of SEW, has been previously shown to enhance the positive impact of innovativeness (Casillas & Moreno, 2010) and promote entrepreneurship (Zahra, 2005), particularly in small and private family firms (Miller, Le Breton, & Scholnick, 2008; Naldi et al., 2013). As such, greater family control may direct resources toward the pursuit of opportunities and proactive strategies (Kellermanns, Eddleston, Sarathy, & Murphy, 2012). However, family members are more inclined to give up control as the firm passes to the next generation (Gomez-Mejia et al., 2007). Being an oil-based economy, the welfare strategy of Saudi Arabia made the public sector an attractive career path to many Saudis (Mahajan, 2012) and as such, subsequent generations of family firms often prefer having a secure job in the government. This weakening of family control over the business may result in a decrease in the relationship between SEW and the entrepreneurial behavior of the firm.

Identification with the business and the firm's reputation, an often overlooked aspect of SEW, may be associated with the creation and discovery of innovative entrepreneurial opportunities. Indeed, the desire to enhance family reputation is thought to be a key driver of family firm innovativeness (Cassia, De Massis, & Pizzurno, 2011). Moreover, research has shown that reputational concerns motivate family firms to be more responsive to external stakeholders and proactively engage with socially responsible practices (Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014). These relationships are likely to be particularly strong within Arab tribal culture where business reputation is linked to family prestige and "viewed as a way to enhance a family's social standing" (Davis et al., 2000, p.217). In Saudi society family pride and reputation are closely tied to the type of work family members perform with some occupations and industries more highly esteemed than others (Mellahi & Wood, 2001; Achoui, 2009; Mahajan, 2012). Family pride and identification with the business would therefore support proactive entrepreneurial opportunity exploitation to

enhance growth and prominence. However, identification with the family firm may decrease as more generations become involved in the business, perhaps because of the diversity of family members pursuing their own personal agendas (Sciascia, Mazzola, & Kellermanns, 2014). This is especially true in Saudi Arabia where family structures are often large, including children from multiple wives, and in such large families fathers often show favoritism towards certain children. This can lead to conflicts among generations and reduce their sense of identification with the firm. It follows then that the more generations are involved in decision-making, the weaker the relationship between SEW and family firm entrepreneurial behavior.

The social capital embedded within family firms with high SEW has been shown to have a strong and positive influence on entrepreneurial behavior (Aldrich & Cliff ,2003; Bird & Wennberg, 2014; Sorenson, Goodpaster, Hedberg, & Yu, 2009), especially innovativeness (Kellermanns et al., 2012), opportunity recognition (Jack 2005) and resource acquisition (Khayesi, George, & Antonakis, 2014). In Saudi Arabia, strong relationships and mutual dependence between family members is encouraged (Hofstede, 1984; Barakat, 1993). It is also the case that the social ties possessed by family firms stretch beyond the immediate nuclear unit to include extended members and broader family networks (Gannon & Pillai, 2010). Relationships between different social groups are bound together by similar family and religious values and other features of tribal societies like Saudi Arabia such as in-group loyalty, reciprocal commitment and sharing. Saudi family firms use their family and stakeholder networks in turn to nourish entrepreneurship through acquiring resources, sharing information, recognizing opportunities, and securing business deals (Kayed & Hassan, 2010). Moreover, generational involvement may contribute to building and widening the family's internal and external social capital, further enhancing their entrepreneurial behavior. However, the higher the number of family involvement in management have been found to

be detrimental to the advantage of social capital on family firms' innovativeness (Sanchez-Famoso, Maseda, & Iturralde, 2017). This might be due to the fact that as more generations of a family become involved in the family firm, the potential for conflict increases (Le Breton-Miller & Miller, 2013). Such conflicts are evident in Saudi Arabia by a recent increase in the rate of disputes over inheritance within Saudi courts. Such conflicts in the family firms are expected to weaken the social capital impact on the entrepreneurial behavior of those firms.

Family firms with high levels of SEW are also emotionally laden and these emotions are considered resources in their own right (Labaki, Michael-Tsabari, & Zachary, 2013) which impact strategic decision making (Miller et al., 2016). Indeed, emotions have been positively linked to entrepreneurial behavior (Foo, Uy, & Baron, 2009), particularly innovation (Goss, 2005), effort (Foo et al., 2009), opportunity recognition and evaluation (Foo, 2011) and resource acquisition (Chen, Yao, & Kotha, 2009). Such interpersonal emotional connections are based on a deep sense of loyalty towards one another and are intensively held in Arab cultures (Barakat, 1993) like Saudi Arabia. They provide not only a lifetime of security and stability as noted earlier (Mellahi & Wood, 2001), but also a resource pool for entrepreneurial behavior. However, with the economic and social changes in the region leading to generational differences, such emotional connections are weakened as more generations join the business. In a survey of university students in Saudi Arabia, the majority of students indicate that they do not feel emotionally attached to their family's business (Alrubaishi, Lyons, Largey, & Alarifi, 2019). This is expected to hamper the relationship between SEW and entrepreneurial behavior.

Finally, the intention to pass the business on to subsequent generations is widely noted as an important family firm strategic goal (Gomez-Mejia et al., 2011; Zellweger, Nason, & Nordqvist, 2012). The cultural importance of the family legacy combined with

strong loyalty to the family in Saudi society motivates family members to sustain the family firm for future generations (Davis et al., 2000; Kayed & Hassan, 2010). Indeed, family firm survival is associated with the maintenance of entrepreneurial behavior across generations (Jaskiewicz et al., 2015). Nevertheless, the more generational involvement in the business from different family branches, the more intergenerational family succession becomes associated with entrenchment and succession disputes (Berrone et al., 2012). This will affect the relationship between SEW and the entrepreneurial behavior of family firms. This is particularly true in Saudi Arabia where family leaders often fail to implement a clear governance structure and succession plan to ensure firm continuity (Alrubaishi, 2017).

Overall, we maintain that SEW is likely to support the entrepreneurial behavior (innovativeness and proactiveness) of family firms within the Saudi context with generational involvement moderating this relationship. Thus, we hypothesize:

> **Hypothesis 1a:** There is a positive relationship between SEW and entrepreneurial behavior (innovativeness and proactiveness) in Saudi family firms.
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> **Hypothesis 1b:** Generational involvement will moderate the relationship between SEW and entrepreneurial behavior (innovativeness and proactiveness) in Saudi family firms in such a way that SEW will have a less intense influence on entrepreneurial behavior when generational involvement is higher.

2.2 Family Firm's SEW, Generational Involvement, and Managerial Attitudes toward Risk

Gomez-Mejia et al. (2007), in their original conceptualization of SEW, theorize that family firms may be less risk oriented than nonfamily firms. Using behavioral agency theory, they suggest that family owners are willing to accept lower performance to preserve family firm SEW endowment, a motivation that may be tied to a desire to maintain family control and influence over the firm. In support of this view, Naldi et al. (2007) empirically found that risk taking is lower in family firms when compared to nonfamily firms.

Family firms are often characterized as conservative because when family wealth is tied to the family firm, the family is unlikely to risk compromising their wealth and welfare (Gomez-Mejia et al., 2011). Thus, family firms are presumed more likely to achieve this goal by minimizing risk and maintaining tighter control over the firm (Miller & Le Breton-Miller, 2014; Gomez-Mejia et al., 2007). Positive attitudes toward risk-taking would imperil family firm stability. On this view, protecting SEW is likely to promote the affordable loss principle (Dew et al., 2009), namely that family firms only risk what they are prepared to lose. Hence family firms prefer lower levels of risk-taking (Naldi et al., 2007; Miller et al., 2016), as they are not prepared to imperil SEW. However, the more generations that join the business the higher their willingness to take risk by releasing their control over the firm. This can also be attributed to the different generations' work style in the region where older generations have a traditional view of work while younger generations have a more flexible perspective and preference for broader actions (Shediac et al., 2013).

In addition to family control, other notable aspects of SEW relate to reputation, social ties and intergenerational succession, have implications for risk-taking. The protection of family reputation and status is particularly important within Saudi society (Rice, 2004) leading family firms to avoid risk for fear of making a mistake and losing face (Gannon & Pillai, 2010). In Saudi Arabia, investment capital is always highly collateralized (Mahajan, 2012) and failed investments are rare. Collateralization shares risk among parties, limits speculation and leads to low default rates (Mahajan, 2012). As such, family firms are often unwilling to jeopardize reputation as well as the financial and social well-being of future generations by adopting risky strategies (Naldi et al., 2007; Schulze, Lubatkin, & Dino, 2003). Nevertheless, risk avoidance may diminish as the identification with the family firm decreases when several generations from different family branches pursuing their own agendas have greater input into key aspects of the family business.

Further, the social ties between family members may suppress managerial attitudes towards risk in order to reduce family conflict (Miller, Steir, & Le Breton-Miller, 2003). This attitude is deeply rooted in the Arab tribal tradition where family loyalty and conformity is highly valued (Gannon & Pillai, 2010). Nevertheless, from a generational perspective, collectivism is decreasing in the Arab world as social changes result in younger generations exhibiting higher individualism (Whiteoak, Crawford, & Mapstone, 2006).

The intention to preserve the family legacy through succession (Chrisman, Chua, Pearson, & Barnett, 2012) may also deter family firm managers from preferring risky projects to better protect their legacy and ensure continuity and family control (Miller et al., 2016). The attitudes may shift as younger generations embrace risk-taking to 'make their mark' upon the business and identify new avenues for growth. Taken together, we hypothesize that the protection of SEW makes it more likely that family business owners will be conservative and hold negative attitudes toward risk-taking. However, in a long-embedded culture of risk avoidance in Saudi Arabia (Mahajan, 2012), the distribution of control between generations, weaker family social ties, and lower sense of identification and emotional attachment to the family firm is likely to attenuate the influence of SEW on managerial attitudes towards risk.

Hypothesis 2a: There is a negative relationship between SEW and a managerial attitude toward risk (risk taking) in Saudi family firms.

Hypothesis 2b: Generational involvement will moderate the relationship between SEW and managerial attitude toward risk (risk taking) in Saudi family firms in such a way that SEW will have a less intense influence on the managerial attitudes toward risk when generational involvement is higher.

3. Methodology

3.1 Sample and Data Collection

The authors developed a questionnaire to collect data to investigate the hypotheses. The survey was prepared in English, translated into Arabic, and then back-translated into English by two bilingual scholars fluent in English and Arabic (Harkness & Schoua-Glusberg, 1998). The survey was then reviewed by the research team and three entrepreneurs, two of whom were family business owners, and pilot tested with respondents from eight Saudi family firms.

Absent an official list of family businesses in Saudi Arabia, a population frame was created from a list of business names, contact details, and industrial activities provided by the Riyadh Chamber of Commerce and Industry (RCCI). The population was stratified by industry, and 2,646 firms were randomly selected from quotas for six categories: (i) manufacturing, (ii) building and construction, (iii) wholesale, retail, hotels, and restaurants, (iv) transport, storage, and communication, (v) import/export, and (vi) business services. Subsistence entrepreneurs were excluded by setting firm size boundaries from 3 to 250 employees. The definition of family business used in this study is based on family involvement in ownership and management. To be included, firms in the sample had to be wholly owned by the family, and a minimum of two family members were involved in managing the firm (Miller et al., 2008; Eddleston, Kellermanns, & Sarathy, 2008; Eddleston et al., 2013).

A team of seven researchers was recruited and trained to collect the data. The data was collected directly from key decision makers in participating family businesses in two ways. First, 500 randomly selected family firms were given a printed version of the questionnaire in person. The completed survey was then collected directly from each family business. Second, the remaining 2,146 firms in the sample were sent an email inviting them to participate in the study through a link to the survey. A total of 385 completed questionnaires were returned (response rate of 14.6%). Screening removed 119 firms because

of falling outside the definition of a family firm (69), incomplete data (19), and firm size (56), yielding a final sample of 241 firms[1]. Early and late responses were compared using chi-square and Mann Whitney U tests to investigate nonresponse bias (Armstrong & Overton, 1977). No statistically significant differences were found ($p > 0.05$) concerning respondents' gender or age, of their firm's age or number of full-time employees. This suggests that sampling bias is not a significant concern. Moreover, the Harman one-factor test was performed, and principal component analysis (PCA) found that the largest eigenvalue explained 16.82 percent of the variance; this suggests that common method bias is also not a significant concern (Podsakoff & Organ, 1986). We also used the marker test as a further test for common methods variance bias (CMVB) (Lindell & Whitney, 2001) and found no evidence of CMVB. We acknowledge that the lowest correlation marker test is not without its problems (see Richardson, Simmering, & Sturman, 2009), but it is an improvement on the Harmon test and is becoming a more widely used technique (Love, Roper, & Vahter, 2014).

3.2 Measures

Dependent Variables. We measured EO using the nine-item seven-point scale developed by Covin and Slevin (1989), which has been used in more than 200 studies in a variety of settings (Covin & Lumpkin, 2011). The scale examines the three foundational aspects of EO, innovativeness, proactiveness, and risk taking (Miller, 2011). Although the EO construct is relatively consistent across national boundaries (George & Marino, 2011) and is "robust to cultural contexts and to translations" (Rauch, Wiklund, Lumpkin, & Frese, 2009, p.779), it "remains relatively unexamined in developing and emerging market contexts" (Wales, Gupta, & Mousa, 2013, p.364). We followed the EO conceptualization of Anderson

[1] Our response rate compares well with the 10% response rate in a study of Lebanese family businesses (Fahed-Sreih & Djoundourian, 2006) and other studies of family firms [e.g., Cruz & Nordqvist, 2012 (12%) and Schepers *et al.*, 2014 (9.2%)].

et al. (2015) as a two-dimensional construct comprised of entrepreneurial behavior and managerial attitudes toward risk. Entrepreneurial behavior was created using the average score of the six items representing innovativeness and proactiveness ($\alpha = 0.78$). Managerial attitude toward risk was calculated using the average score of the three items examining risk taking ($\alpha = 0.77$). Thus, the research context also provides an opportunity to test the behavioral and attitudinal constructs of the scale in an emerging economy.

***Independent Variable and Moderator*.** We measured SEW using the 27 items (five-point Likert scale) conceptualized by Berrone et al. (2012) based upon five components of SEW: family control and influence (F); identification of family members with the firm (I); binding social ties; (B) emotional attachment of family members (E); and renewal of family bonds to the firm through dynastic succession (R). We began by conducting an exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to gain insight into the factor loadings. EFA is performed with the maximum likelihood method for the extraction of factors and Promax method of rotation. Before conducting EFA, the value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated to be 0.887, which indicates that the data is suitable for factor analysis. Bartlett's test of sphericity is highly statistically significant ($p < 0.0005$), confirming the multivariate normality of the data (Bartlett 1954).

To achieve discriminant and convergent validity within the scale, variables with small factor weights (below 0.3) were excluded from further analysis. Of the 14 remaining items, the maximum likelihood method found four factors with characteristic values above 1 that accounted for 63.6 percent of total variance. Notably, the proposed R factor within Berrone et al. (2012), was not distinctly manifest within our data. Following a review of the scree plot and considering the Cattell (1966) criteria, four factors were retained. CFA was then conducted to confirm the factor structure extracted in the EFA. The confirmatory factor

analysis measurement model is specified in Figure 1, so that every observed variable measures only one dimension that have error terms, which do not correlate with each other, nor even with the latent dimensions. The model has a goodness-of-fit index (GFI) of 0.916, a root-mean-square residual (RMR) of 0.041, a root mean square error of approximation (RMSEA) of 0.08, a normal fit index (NFI) of 0.913, a Tucker-Lewis index (TLI) of 0.925, a composite fit index (CFI) of 0.942, and a normed chi-square statistic of 2.805. The aforementioned indicators of goodness of fit suggest that the model achieves a good fit (Hu & Bentler, 1995).

Convergent validity of the construct is evaluated on the basis of composite reliability (CR) and average variance extracted (AVE) tests. All three conditions are met (CR > 0.7; AVE > 0.5; CR > AVE), and thus the measurement model exhibits convergent validity. To assess the discriminant validity of the constructs, values of average variance extracted (AVE), maximum shared variance (MSV), and shared average variance (ASV) were compared. Both the necessary conditions are met (MSV < AVE; ASV < AVE), and the square root of the value of AVE is greater than the value of the correlation between constructs, so it can be concluded that the constructs exhibit discriminant validity as well. In Table 1, the correlation matrix with the square root of AVE on the main diagonal is presented. The SEW independent variable was then created using the average score of the 14 items ($\alpha = 0.90$). Finally, the cronbach alpha (α) value suggests a sound level of internal consistency.

Generational involvement as a moderator is measured following published studies (Chirico et al., 2011; Eddleston et al., 2013), and asks respondents how many generations (one, two, three or more) are involved in the management of the firm (GENERATION).

Insert Table 1 and Figure 1 about here

Control Variables. Control variables that may influence EO included gender, entrepreneur age, firm size, and firm age. Gender was controlled because entrepreneurship is often associated with male more than female entrepreneurs (Olson et al., 2003). Male entrepreneurs were coded "1" and female entrepreneurs "0" (Gender). Entrepreneur age was controlled given that entrepreneurial beliefs may be a function of age (Cruz & Nordqvist, 2012). The age of the entrepreneur was measured using the natural log of years since birth (Age-Ent). Firm size is controlled because larger firms may have more resources to invest in entrepreneurial activities (Kellermanns & Eddleston, 2006; Zahra et al., 2004). Firm age was also controlled because of the potential effect of a higher level of growth in younger firms (Eddleston et al., 2013). The number of full-time employees was recorded and normalized using the natural log (Size), and firm age was recorded as the number of years since the firm received its first order/customer (Age-Bus). As with firm size, a natural logarithm was taken to normalize firm age.

Because some industries may be more innovative, proactive, and risk-oriented than others, we also control for the effect of industry on EO through relevant dummy variables.[2] As family business diversification has previously been linked to EO (e.g., Cruz & Nordqvist, 2012), we also include a dummy variable for business diversification, with firms operating a secondary business activity coded "1" and others "0" (Diversified). Finally, we control for the preparation of a business plan as this may influence an organization's entrepreneurial development (Delmar & Shane, 2003). Preparation of a formal business plan was coded "1" and otherwise "0" (Business Plan).

4. Results

[2] For manufacturing (Manufacturing), building and construction (Construction), wholesale, retail, hotels, and restaurants (Retail), transport, storage, and communication (Transport), import/export (International), and services (Services).

Descriptive statistics and the correlation matrix are shown in Table 2. The correlation coefficients and variance inflation factor (VIF) scores suggest no evidence that the regression results obtained in this study are distorted by multicollinearity.

Insert Tables 2 and 3 about here

A hierarchical regression analysis was performed to test the hypotheses and the results are displayed in Table 3. Entrepreneurial behavior and attitudes towards risk were first regressed on the control variables in model 1. Next, entrepreneurial behavior and attitudes towards risk were regressed on the independent variables in model 2. Finally, an interaction term was created by multiplying generational involvement with SEW, and both dimensions of EO were regressed on the control, independent, an interaction terms in model 3.

4.1 Entrepreneurial Behavior (Innovativeness and Proactiveness)

Model 1 explained 10 percent of the variance ($p < 0.01$). The addition of the independent variables in model 2 explained a further 10 percent of entrepreneurial behavior (innovativeness and proactiveness) ($p < 0.01$). SEW is positively and significantly associated with entrepreneurial behavior ($p < 0.01$), supporting hypothesis 1a. Furthermore, the coefficient for generational involvement was negative and significant ($p < 0.01$). Model 3 was significant ($p < 0.01$) with an R^2 of 22 percent. The interaction term between generational involvement and SEW was negative and significant ($p < .001$), supporting hypothesis 1b. The gender, firm size, entrepreneur age, diversification, and the preparation of a business plan control variables are statistically significantly related to entrepreneurial behavior at the 0.05 level or better.

4.2 Managerial Attitude Toward Risk (Risk Taking)

Control variables in model 1 explained 11 percent of the variance in managerial attitude toward risk (risk taking) ($p < 0.01$). Gender and the import/export industry are the only significant control variables at the 0.05 level or better. Adding the independent variables to model 2 explained a further 2 percent of managerial attitude toward risk ($p < 0.01$). SEW was not significantly associated with managerial attitude toward risk; thus, hypothesis 2a is not supported. Generational involvement was negatively and weakly statistically significantly related to managerial attitude toward risk ($p < 0.1$). In model 3, the interaction term between generational involvement and SEW was not significant; thus, hypothesis 2b is not supported.

5. Discussion

Our study was motivated by exploring the relationship between SEW and two key components of EO within family firms, and to incorporate the often-overlooked Arab world with management and entrepreneurship research. While many relationships are likely to generalize within the Arab world, it nonetheless provides an opportunity to investigate these phenomena in a unique area of the economic world permeated with family firms and strong tribal values. Prior research suggests that SEW, as a potentially strong noneconomic consideration of family firm, has the potential to either constrain or promote entrepreneurship and to gain clarity, we separated EO into entrepreneurial behaviors and managerial attitudes towards risk. To that end, our study investigates how SEW, as an understudied noneconomic consideration, may shape the manifestation of family firm EO in a middle eastern cultural business setting.

Our findings demonstrate that SEW is positively and significantly related to entrepreneurial behavior, but not to managerial attitudes towards risk-taking in Saudi family firms. Most notably, as more generations become involved in managing the family business,

the relationship between SEW and entrepreneurial behavior is weakened. We speculate that conflicts between generations and social changes in the region may lead to a weakening of the effect of the family firm's variable SEW endowment (Schepers et al., 2014). In particular, identification with the family firm and the nurturing of social ties between family members, becomes less pronounced as additional generations join the managerial team. Mahajan (2012) found that family members pursue divergent agendas in large family firms, and this also applies to small and medium sized family firms. The outcome is that entrepreneurial behavior appears to decline as more generations are involved in a family firm: 'too many cooks in the kitchen' is a recipe for weakening the SEW—EO relationship in terms of firm behavior.

A primary contribution of this study is to support the view that entrepreneurial behaviors and managerial attitudes towards risk have different relationships (Anderson et al., 2015; Pryor, Webb, Ireland, & Ketchen, 2016). This indicates that while innovativeness and proactiveness inevitably incur a modicum of risk, managerial attitudes towards risks may not always align with a firm's entrepreneurial behavior (Sarasvathy, 2001). Risk is an inseparable aspect of entrepreneurship, however risk-taking is more modestly emphasized when compared to innovation and proactiveness (Miller, 2011). Family firms appear to be one such context in which explicit risk-taking is a less focal element of EO (Lumpkin & Dess, 1996).

We also contribute to the family firm entrepreneurship literature. Research has suggested that the capacity of family firms to transform inputs into innovative outputs is due to three idiosyncrasies: family control, wealth concentration, and the noneconomic goals of family firms (Duran, Kammerlander, Van Esssen, & Zellweger, 2016). We empirically support the core tenets of this argument by demonstrating that family firm SEW is positively related to innovativeness and productiveness. The launching of new products, services, and technologies ahead of competitors provides an opportunity for family firms to identify and develop new possibilities for growth and renewal. Our findings concerning EO contribute to

the wider scholarly discussion about the resource advantages of the noneconomic aspects of family firms (Bennedsen & Foss, 2015; Llach & Nordqvist, 2010; Cassia et al., 2011).

We further comment on institutional influences on family firms (Soleimanof, Rutherford, & Webb, 2017). Cultural values are known to influence rates of entrepreneurial activity (Autio, Pathak, & Wennberg, 2013; Sharma & Chua, 2013) and country-level studies offer deep insights into such relationships (e.g., Cassia et al., 2011; Chang et al., 2009; Davis et al., 2000; Fahed-Sreih & Djoundourian, 2006; Khayesi et al., 2014). Our research sheds light upon the role of Arab tribal culture as an intriguing sociocultural consideration and context when investigating SEW and EO. In this vein, our results help connect Saudi cultural values and beliefs that esteem business success, family prestige, interpersonal relationships and social networks to entrepreneurial behavior. The results also demonstrate the damaging effect of generational involvement in family businesses in a region where economic and social changes are inducing significant generational differences.

Although policies have been introduced in Saudi Arabia to encourage the development of an entrepreneurial economy, the institutional context has traditionally been characterized by high per capita income, zero taxation and secure employment opportunities in the public sector. These conditions have not required Saudi family firms to embrace risk. The institutional context, however, is now less stable and employment prospects in the public sector less assured. Whereas Saudi cultural values support innovativeness and proactiveness, the prior lack of need to take risks may help further explain the conservative managerial attitudes towards risk taking. Developing a managerial attitude towards risk by increasing awareness of failure as a possible outcome, not a shame as often regarded in conservative Saudi culture (Mahajan, 2012), may be instrumental for achieving policy success.

6. Future Research Directions

Several important future research directions stem from our study. First, the literature is replete with studies of family firms that employ control variables as proxies designed to capture elements of SEW, such as governance (Berrone, Cruz, Gomez-Mejia, & Larraza Kintana, 2010; Zellweger et al., 2012), family management (Cruz, Justo, & Dev Castro, 2012; Naldi et al., 2013), and generational stage (Sciascia et al., 2014). In our study we explicitly and directly investigate SEW as a broader phenomenon than family control. This study provides direction for more compressive assessments of SEW within future research. In this vein, the empirical results provide an early test of the conceptual measure of SEW offered by Berrone and colleagues (2012). Our study provides validation for four of the five proposed SEW factors (Berrone et al. 2012), namely, F, I, B, E, but not R. While the results of Hauck et al. (2016) find support for R, our results suggest that the R factor may not be as strong or consistent of a factor as the FIBE components in an emerging economy. It is possible that the R has less relevance within specific national and cultural contexts such as Saudi Arabia and further testing of this new measure of SEW would help strengthen its validity and reliability. Further studies that explore conceptualizations SEW beyond family control in other emerging economies would help extend this area of management research.

Second, future research may consider exploring theoretical linkages between SEW, effectuation theory, and the affordable loss principle. In this study, we focused on SEW as a holistic phenomenon. However, similar to EO, in future research the components may also be investigated individually (Lumpkin & Dess, 1996). For instance, drawing on effectuation theory (Sarasvathy, 2001), the different components of SEW might be investigated as capturing different types of 'means' which may variously aid the entrepreneurial endeavors of family firms. For instance, SEW components (Berrone et al., 2012) such as a sense of identity, appear to be aligned with the concept of 'who we are', whereas social ties appear to represent a key aspect of 'whom we know'. Since we did not find support for hypothesis two,

future research might also further consider how SEW influences risk taking using more exploratory qualitative research to provide further insight into the relationship between SEW and different expressions of managerial attitudes toward risk (Hoskisson et al., 2017).

Third, policy interventions may be explored which encourage new generations of family members to be involved in leading and innovatively managing the family business, invest in efforts to enhance family identification with the firm, and strengthen emotional and social ties between family members. Our study suggests that policy approaches with these aims, at least within national and cultural contexts dominated by family firms, may have meaningful implications for developing an entrepreneurial economy.

In terms of limitations, the empirical results were gathered within a single national context. By focusing on Saudi Arabia, we examine an important non-Western economic context (Luo & Chung, 2013). We gathered data from a sample of privately held firms. It would be interesting to see whether our findings hold within publicly listed family firms that are subject to greater stakeholder scrutiny. Moreover, the study adopted a cross-sectional design. Although cross-sectional design is frequently used in family business research (e.g., Chrisman et al., 2012; Eddleston & Kellermanns, 2007), it limits our ability to make inferences about cause-effect relationships. Further research using longitudinal data would be beneficial for shedding additional light onto the directional flow of influence. This would help further advance theory development concerning the temporal dynamics (Wales, Monsen, & McKelvie, 2011) and internal logics of EO in family firms.

Our study of SEW and EO in a sample of privately held family firms in Saudi Arabia offers a rare glimpse into family firm entrepreneurship in this wealthy and prosperous Arabian Gulf state. The Saudi government's strategy to diversify the economy by encouraging Saudi Arabians to consider entrepreneurship as a legitimate career choice has created a context in which entrepreneurship is actively promoted. Yet, most businesses in

Saudi Arabia are family firms, and how entrepreneurship is affected by SEW in these firms has, to date, not been well understood. Given the importance of entrepreneurship to firm survival, as well as to employment creation and wealth generation, our findings suggest important implications for both practice and policy. The success of the Saudi economic diversification strategy rests on institutional and family acceptance of risk taking as inherent to entrepreneurship as well as understanding generational differences shaped by the conditions of the region as illuminated within this research.

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Figure 1 Confirmatory Factor Analysis Measurement Model

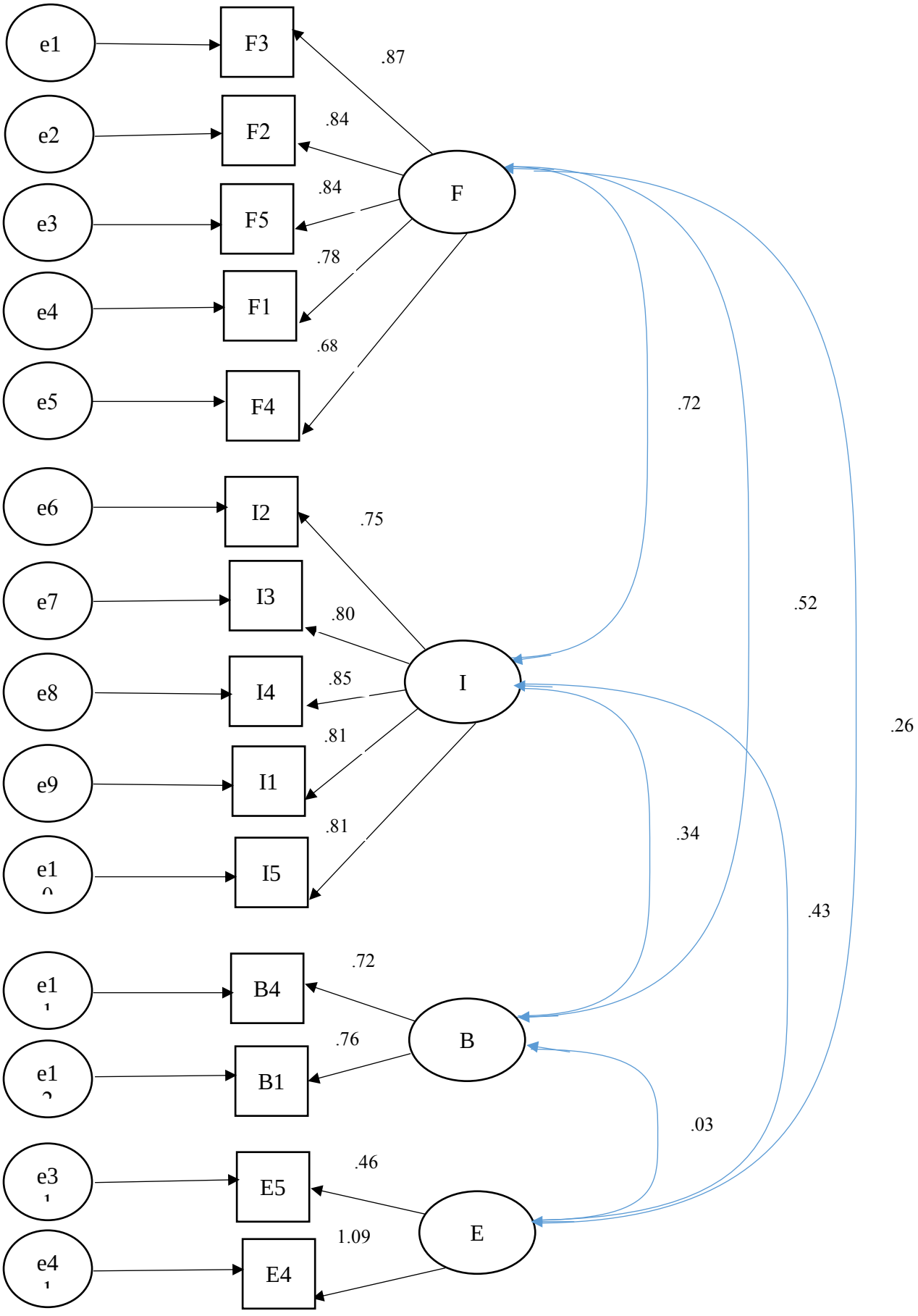

Table 1 Convergent and discriminant validity

	CR	AVE	MSV	ASV	E	F	I	B
E	0.709	0.549	0.254	0.133	0.741			
F	0.904	0.655	0.531	0.287	0.504	0.809		
I	0.883	0.603	0.531	0.291	0.378	0.729	0.776	
B	0.778	0.667	0.199	0.091	-0.031	0.273	0.446	0.817

Table 2 Correlation Matrix (n=241)

	VIF	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
1. Entrepreneurial Firm Behavior		1.00															
2. Managerial Attitude Toward Risk		0.43**	1.00														
3. SEW	1.20	0.19**	0.05	1.00													
4. Gender	1.33	-.010	-0.18**	-0.08	1.00												
5. Age-Bus	1.56	-0.01	-0.09	-0.23**	-0.05	1.00											
6. Size	1.37	0.16*	-0.02	-0.04	0.12	0.27**	1.00										
7. International	1.12	-0.10	-0.17**	0.20**	0.04	-0.02	-0.04	1.00									
8. Manufacturing	1.19	-0.03	-0.12	-0.12	-0.03	0.27**	0.18**	-0.07	1.00								
9. Construction	1.22	-0.07	-0.06	-0.05	0.09	-0.01	0.18**	-0.12	-0.11	1.00							
10.Retail		0.03	0.10	0.03	0.17**	-0.11	-0.17**	-0.28**	-.26**	-0.47**	1.00						
11. Transport	1.08	-0.03	-0.08	0.04	0.01	-0.04	-0.05	-0.06	-0.05	-0.10	-0.23**	1.00					
12. Services	1.30	0.15*	0.17**	-0.09	-0.36**	0.03	-0.02	-0.11	-0.10	-0.19**	-0.42**	-0.09	1.00				

13. Age-Ent	1.38	0.07	-0.09	0.00	0.13	0.40**	0.16*	-0.04	0.13	0.19**	-0.08	-0.16*	-0.06	1.00			
14. Diversified	1.42	0.06	0.01	-0.44**	0.19**	0.28**	0.17**	-0.09	0.08	0.00	-0.02	-0.05	0.06	0.04	1.00		
15. Business Plan	1.40	0.11	0.05	-0.32**	0.06	0.13	0.37**	-0.03	0.09	0.09	-0.13*	-0.07	0.10	-0.01	0.21**	1.00	
16. Generation	1.39	-0.17**	-0.10	-0.28**	-0.06	0.09	0.19**	-0.03	0.12	0.15*	-0.16*	-0.07	0.04	0.13*	0.24**	0.27**	1.00

*** Significant at the 0.01 level; ** Significant at the 0.05 level; * Significant at the 0.10 level

Table 3 Regression Models (n=241)

	Entrepreneurial Firm Behavior			**Managerial Attitude Toward Risk**		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Control Variables						
Gender	**-.46 (.26)** *	**-0.53 (0.25)** **	**-0.53 (0.25)** **	**-0.67 (0.29)** **	**-0.73 (0.29)** **	**-0.73 (0.29)** **
Age-Bus	**-.23 (.13)** *	**-0.19 (0.13)**	**-0.22 (0.13)** *	-0.17 (0.15)	-0.17 (0.15)	-0.17 (0.15)
Size	**.22 (.08)** ***	**0.17 (0.08)** **	**0.18 (0.08)** **	0.04 (0.09)	0.03 (0.09)	0.03 (0.09)
International	-0.44 (0.29)	**-0.59 (0.28)** **	**-0.53 (0.28)** *	**-0.90 (0.33)** ***	**-0.94 (0.33)** ***	**-0.94 (0.33)** ***
Manufacturing	-0.38 (0.32)	-0.18 (0.31)	-0.14 (0.31)	**-0.72 (0.37)** **	**-0.62 (0.37)** *	**-0.62 (0.37)** *
Construction	**-0.38 (0.20)** *	-0.25 (0.19)	-0.23 (0.19)	-0.31 (0.23)	-0.24 (0.23)	-0.24 (0.23)
Transport	-0.09 (0.35)	-0.11 (0.33)	-0.18 (0.33)	-0.59 (0.39)	-0.59 (0.39)	-0.59 (0.39)
Services	0.20 (0.23)	0.24 (0.22)	0.25 (0.22)	0.18 (0.26)	0.20 (0.26)	0.20 (0.26)
Age-Ent	**0.69 (0.37)** *	**0.74 (0.36)** **	**0.80 (0.35)** **	-0.12 (0.42)	-0.06 (0.42)	-0.06 (0.42)
Diversified	0.17 (0.17)	**0.51 (0.18)** ***	**0.49 (0.17)** ***	0.10 (0.19)	0.26 (0.21)	0.26 (0.21)
Business Plan	0.13 (0.16)	**0.41 (0.16)** ***	**0.46 (0.16)** ***	0.15 (0.18)	0.28 (0.19)	0.28 (0.19)
Main effect						
SEW	———	**0.48 (0.13)** ***	**0.43 (0.14)** ***	———	0.17 (0.16)	0.17 (0.16)
Generation	———	**-0.46 (0.13)** ***	**-0.55 (0.14)** ***	———	**-0.29 (0.16)** *	**-0.29 (0.17)** *
Interaction effect						
SEW* Generation	———	———	**-0.46 (0.23)** **	———	———	0.00 (0.27)
Constant	-1.66 (1.30)	-2.02 (1.24)	**-2.26 (1.24)** *	1.21 (1.46)	0.92 (1.47)	.92 (1.48)
F-Test	**2.20****	**4.42*****	**4.44*****	**2.55*****	**2.61*****	**2.42*****
R^2	0.10	0.20	0.22	0.11	0.13	0.13
Adjusted R^2	0.05	0.16	0.17	0.07	0.08	0.08

*** Significant at the 0.01 level; ** Significant at the 0.05 level; * Significant at the 0.10 level