Entry and Post-Entry Operations in the Saudi Arabian Market: A Qualitative Study of German SMEs (Mittelstand) in the Metal-Forming Machine Tool Sector

H P Kleber

DBA

2016

Entry and Post-Entry Operations in the Saudi Arabian Market: A Qualitative Study of German SMEs (Mittelstand) in the Metal-Forming Machine Tool Sector

Hans Philipp Kleber

A thesis submitted in partial fulfilment
of the requirements of the
University of Northumbria at Newcastle
for the degree of
Doctor of Business Administration

Research undertaken in
Newcastle Business School

October 2016

Abstract

The Kingdom of Saudi Arabia (KSA) is one of the most important trade partners in the Middle East for the German machinery industry, which mainly comprises small and medium enterprises (SMEs). In Germany, these firms are named Mittelstand firms due to their distinctive characteristics.

This study investigates the question, ‘How do German Mittelstand firms in the metal-forming machine tool sector (MFMTS) successfully enter the Saudi Arabian market?’ It further explores the challenges that occur during the entry and post-entry operations, and how they are overcome. Furthermore, the study investigates the success factors of these firms entering the Saudi Arabian market.

The study follows an inductive research approach and uses the philosophical assumptions of social constructionism and interpretivism. Qualitative, primary data were collected through semi-structured interviews with relevant first-line practitioners from Mittelstand firms and support agencies.

The results indicate that the clear link between ownership and management, flexibility to customer requests and product adaptation, and a still strong ‘Made in Germany’ claim are some of the most important success factors when entering the Saudi Arabian market. Major challenges are identified along the political and legal environments, including the labour nationalisation system and local partner enforcement. Additional obstacles are identified within the cultural and religious belief system and the special roles of women, families, relationships, and hierarchies.

This study highlights that, in their initial steps to KSA, most Mittelstand firms act randomly and without structure, contrary to most of the theories and concepts. While there is evidence in the literature for the need of German Mittelstand firms to expand abroad, the theory-building approach to and knowledge about entry and post-entry operations in the Saudi Arabian market will close an existing gap in this literature by providing empirical insights. The study further reveals the partial relevance of the Resource-Based Theory and the network view for the Mittelstand firms’ expansion into the Saudi Arabian market.

Acknowledgments

This thesis would not exist without the help of many people who supported me throughout my doctoral studies on a personal and academic level.

My first and sincere thanks are dedicated to my supervision team, Doctor Paul Copley and Doctor David Bennett. Your on-going advice, constructive, critical comments, and motivation guided and encouraged me to go through this journey.

I would additionally like to extend my sincere thanks to my panel members, Professor Helen Woodruffe-Burton, Professor Fraser McLeay, and Doctor Zhibin Lin, for your helpful support and comments.

This thesis would not exist without the support of the Mittelstand and support-type organisation interview partners. Thank you for your kind cooperation, for answering my questions, and for participating in interesting discussions that inevitably strengthened this project.

Particularly during challenging times, my dear friends and doctoral colleagues Tena Patten, Helen Shield, Patrick Glackin, and Oran Doherty offered invaluable moral help, advice, and support.

Finally, I would like to sincerely thank my family for their love, support, and encouragement throughout this journey.

List of Tables

List of Figures

List of Symbols and Abbreviations

ASEAN *Association of Southeast Asian Nations*

BDI *Bundesverband der Deutschen Industrie (Federation of German Industries)*

BRICS *Brazil, Russia, India, China and South Africa*

CAQDAS *Computer Assisted Qualitative Data Analysis Software*

CIA *Central Intelligence Agency*

CNC Computer Numeric Control, Computer Numeric Control

EM *Emerging Market*

et al. *et alii (and others)*

EU *European Union*

EUR *Euro*

FDI *Foreign Direct Investment*

G20 *Group of Twenty*

GATS *General Agreement on Trade in Services*

GATT *General Agreement on Tariffs and Trade*

GCC *Gulf Cooperation Council*

GDP *Gross Domestic Product*

GTAI *Germany Trade and Invest*

IB *International Business*

ICT *Information and Communication Technology*

IfM *Institut für Mittelstandsforschung (Institute for 'Mittelstand' Research)*

IMF *International Monetary Fund*

ISIC *International Standard Industrial Classification*

KfW *The German Reconstruction Credit Institute*

KPI *Key Performance Indicator*

KSA *Kingdom of Saudi Arabia, Kingdom of Saudi Arabia*

MERCOSUR *Mercado Común del Sur*

MFMTS *Metal forming machine tool sector*

MNE *Multinational Enterprise*

NACE *Statistical Classification of Economic Activities in the European Community (Nomenclature statistique des activités économiques dans la Communauté européenne)*

NAFTA *North American Free Trade Agreement*

OECD *Organisation for Economic Co-operation and Development*

OEM Original Equipment Manufacturer

PRO *Public Relations Officer*

R&D *Research and Development*

RBT *Resource-based Theory*

SABIC *Saudi Basic Industries Corporation*

SADC *South African Development Community*

SAGIA *Saudi Arabian General Investment Authority*

SEPA *Single Euro Payments Area*

SME *Small and Medium Enterprise*

TRIPS *Agreement on Trade-Related Aspects of Intellectual Property Rights*

UK *United Kingdom*

US *United States*

USA *United States of America*

USB *Universal Serial Bus*

VDMA *Verband Deutscher Maschinen- und Anlagenbau e.V., Verband Deutscher Maschinen- und Anlagenbau e.V. (German Engineering Association)*

WTO *World Trade Organisation*

WWII *World War II*

Brief Table of Content

Table of Content

1 Introduction

1.1 Outline

This thesis focuses on the market entry and post-entry operations of German small and medium enterprises, called Mittelstand firms, in the metal-forming machine tool sector (MFMTS) in Saudi Arabia. Market entry offers advantages to Mittelstand firms, such as spreading risk and organisational growth. Saudi Arabia is one of Germany's biggest foreign trade partners and an important partner for the German MFMTS in the Middle East region.

The research focuses on three major pillars: how German Mittelstand firms in the MFMTS enter a market; what kinds of barriers and challenges exist when entering the Saudi Arabian market; and how those challenges and obstacles can be overcome in order to be successful.

This introductory chapter outlines and introduces this thesis. First, an overview of the industry, the sector, and Saudi Arabia will be presented, followed by an introduction to the research question, aims, and objectives of this thesis. A brief justification for the research follows, hereafter a brief overview about the employed research methodology and an overview of the structure of the thesis concludes the chapter.

1.2 Background and context

The German machinery and engineering industry

The German machinery and engineering industry is representative of the diverse German economy and accounts for a large portion of Germany's gross domestic product (GDP). The industry is one of the main employers in Germany, and its wealth of innovation places it as a global leader in many sub-sectors (German Engineering Federation, 2016). The manufacturing tag 'Made in Germany' is synonymous with superior engineering and world-class quality (Dustmann, Fitzenberger, Schönberg, & Spitz-Oener, 2014). Historically, the German machinery and engineering industry was linked geographically to the south-western region of Germany, particularly the state of Baden-Württemberg

(Baden-Württemberg Ministry for Finance and Economics, 2016; Heidenreich & Krauss, 1998). In 2016, approximately one third of Germany's total machinery and engineering industry output was manufactured in Baden-Württemberg. The latter is one of 16 states in the Federal Republic of Germany, and represents approximately one eighth of the total German population (Baden-Württemberg Statistics Office, 2016; Central Intelligence Agency, 2016b; German Engineering Federation, 2013).

The German Mittelstand as a pillar of the German economy

Numerous German multinational enterprises (MNEs), such as Mercedes-Benz, Siemens, and BASF, are famous around the globe for their products and services. However, the majority of the German economy (including the machinery and engineering industry) relies on SMEs. In Germany, these are called Mittelstand, meaning firms of a size that fits between the very small, often family-owned firms, and MNEs (German Federal Ministry of Economic Affairs and Energy, 2016). Around 99% of the total German manufacturing sector is comprised of SMEs, employing nearly 60% of the total German workforce (German Federal Ministry of Economic Affairs and Energy, 2016). The primary reasons for sustained success within the region are strong regionalism until the 19th century (with no united German state), superior education systems, as well as industrial competence and the aforementioned innovation. Over time, organisational and industrial clusters have been formed, adding additional strength to the region's economic development (Bryant, 2012). Today, some German SME firms are also called 'Hidden Champions' based on their market-leading positions within niche sectors (German Federal Ministry of Economic Affairs and Energy, 2016). Most of these firms have their roots in long-standing and traditional family firms (Rattner, 2011).

The MFMTS

A strong automotive industry notwithstanding, the machinery and engineering industries represent the backbone of the south-western German economy, maintaining global success as world export champions in various sectors (Einwiller, 2012). One sub-sector of the machinery and engineering industry is the MFMTS. This sub-sector is home to firms that manufacture, repair, and distribute metal-forming machine tools (European Commission, 2008b). Most firms within this sector can be classified as SMEs. The MFMTS can be used as an example of the aforementioned industry clusters of firms having a strong base in south-west Germany (Baden-Württemberg Invest, 2014). While the industry and its sectors are successful, according to Kolloge (2009), a major drawback is their lack of international diversification. The industry and its sectors are still strongly focused on the local German and European Union (EU) markets, as well as traditional partners such as the United States of America (USA), Japan, and China (Federal Ministry of Economic Affairs and Energy, 2016). In addition, political and legal situations in various emerging markets (EMs) such as Brazil, Russia, India, China, and South Africa (BRICS) have restrained many firms from implementing a market entry into these countries. Instead, firms have focused on expansion into other markets with better political and legal stability (Financial Times, 2013; Forbes, 2014; Lennard, 2013; The Economist, 2013). The reasons for south-west German SME firms in the MFMTS to enter markets abroad vary greatly depending on the organisational profile. Reasons include stagnation of traditional markets, desire to build a global brand image, diversification of risks and sales, access to resources, market development, and even the classical economies of scale (Baden-Württemberg international, 2014).

The Kingdom of Saudi Arabia as a regional power

The countries within the Gulf Cooperation Council (GCC) are an option for south-west German SME firms in the MFMTS to enter markets abroad. Since the 1970s, the Arabian Gulf countries have developed rapidly into some of the most important economic trade partners due to their expansive oil and natural gas reserves. The economic and political developments have been enormous and have transformed the region into a leading business hub for many industries (Farzaneh, Ishihara, Utama, McLellan, & Tezuka, 2013; Hvidt, 2011). However, many nations, such as the Kingdom of Saudi Arabia (KSA), have become aware of a potential end to the oil and gas boom.

The KSA government has diversified its local economy and aims to become more independent from the oil and gas industry. It has pursued this goal by focusing on becoming a worldwide trade and finance hub (Thompson, Al-Aujan, AL-Nazha, Al Lwaimy, & Al-Shehab, 2012). A major pillar of this strategy lies in attracting market-leading foreign firms and businesses in order to entice additional firms to invest in the country and surrounding regions. One focus is on the machinery, car, and high-tech industry; this can be seen by viewing the import-export balances of Germany and Saudi Arabia over previous years (Germany Trade & Invest, 2016a). Due to these developments, the market is of high interest to south-west German SME firms in the MFMTS, as the KSA is economically powerful and in a relatively stable political and economic situation compared to other EMs and other surrounding countries, such as Egypt or Turkey (BMI Research, 2016).

Nevertheless, limitations and possible drawbacks exist in the form of a different cultural and religious environment (Obeidat, Shannak, Masa'deh, & Al-Jarrah, 2012), the local law system, which is mainly based on Islamic Sharia Law (Countrywatch Review, 2016), and a monarchy with a ruling family and local tribes that have their own business interests and are advanced in business behaviour and knowledge (Lawson, 2011). All of this results in the need for a well-planned market entry strategy, including a detailed analysis of the influencing factors, possible challenges, and drawbacks.

1.3 Research question, aims, and objectives

The underlying research question of this thesis is the following:

How do German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market?

The aim of this thesis, this research, is supported through the above research question and the following research objectives:

- to study internationalisation patterns of successful German Mittelstand entry and post-entry operations processes in the KSA market;
- to investigate the challenges that Mittelstand firms face when entering the Saudi Arabian market and propose options to overcome those challenges;
- to examine whether and how existing theory regarding SME market entry applies to German Mittelstand firms in the MFMTS entering the KSA; and
- to present the output of this study in the form of recommendations and contributions.

The research question, objectives, and aim will be addressed within the following chapters of the thesis.

Research question, objectives and aim	Link to thesis chapter
Research question: How do German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market?	2, 3, 5, 6
Research objective 1: To study internationalisation patterns of successful German Mittelstand entry and post-entry operations processes in the KSA market.	2, 3, 5, 6
Research objective 2: To investigate the challenges that Mittelstand firms face when entering the Saudi Arabian market and propose options to overcome those challenges.	2, 3, 5, 6
Research objective 3: To examine whether and how existing theory regarding SME market entry applies to German Mittelstand firms in the MFMTS entering the KSA.	3, 6
Research objective 4: To present the output of this study in the form of recommendations and contributions.	6

Table 1: Research question and link to thesis chapters

Source: Constructed by the author.

1.4 Justification for the research

Why the market entry and post-entry operations of the German Mittelstand?

The importance of a market entry and post-entry operations of firms as well as the importance of SMEs in this process have been exhaustively researched. Within Germany, the counterpart of SMEs, the Mittelstand, accounts for major parts of economic development and international trade. Both subject areas, market entry and the German Mittelstand, which are inevitably linked, are the foundation of this thesis.

Why the MFMTS?

Academic research on SME market entry largely focuses on the manufacturing industry (Kalinic & Forza, 2012; Ruzzier, Hisrich, & Antoncic, 2006). Part of this thesis's aim is to ascertain whether a SME market entry and the existing theories and concepts also apply to German Mittelstand firms in the MFMTS. In addition, the MFMTS, as a major sector within the manufacturing industry, plays an important role within south-west Germany, which is known as the German 'home' of Mittelstand firms, in particular those in the manufacturing industry. The focus of this thesis is limited to one sector in order to be able to determine the market entry and post-entry operation success factors. The significance of the MFMTS as a sector in south-west Germany is highlighted in section 2.3.4.

Why Saudi Arabia as a target country?

Saudi Arabia as the target country for the entry of German Mittelstand organisations has been specifically chosen as one of the two regional powers in the Middle East. On the one hand, only limited research is available on a market entry into the Middle East, and in particular Saudi Arabia (Thomson Reuters, 2011; UNESCO, 2015), and on the other hand, Saudi Arabia is one of the major business partners of German industry in the Middle East (German Federal Statistical Office, 2016b).

1.5 Research methodology

The study uses the philosophical assumptions of social constructionism. The social constructionist view believes that knowledge is created through humans' social interactions and daily lives (Burr, 2015). Crotty (1998) includes the different perspectives on social phenomena and daily interactions based on different cultural backgrounds in the social constructionist view. As this study aims to determine how German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market, it follows the theoretical perspective of interpretivism to understand the socially constructed environment as well as the deeper meanings and understandings of the interviewees (Crotty, 1998; Easterby-Smith, Thorpe, & Jackson, 2012; Saunders, Lewis, & Thornhill, 2012). Influenced by the philosophical assumptions of social constructionism and the theoretical perspective of interpretivism, a qualitative research methodology is found to be suitable in light of the research aims and objectives. Qualitative, primary data were collected through semi-structured interviews with relevant first-line practitioners from Mittelstand firms and support agencies within the MFMTS. The audio-recorded data were transcribed and a thematic analysis approach, King's template analysis system, was used to identify emerging themes from the data (Brooks & King, 2012; King, 2004; Waring & Wainwright, 2008).

1.6 Thesis structure

The thesis consists of six chapters in total (refer to Figure 1).

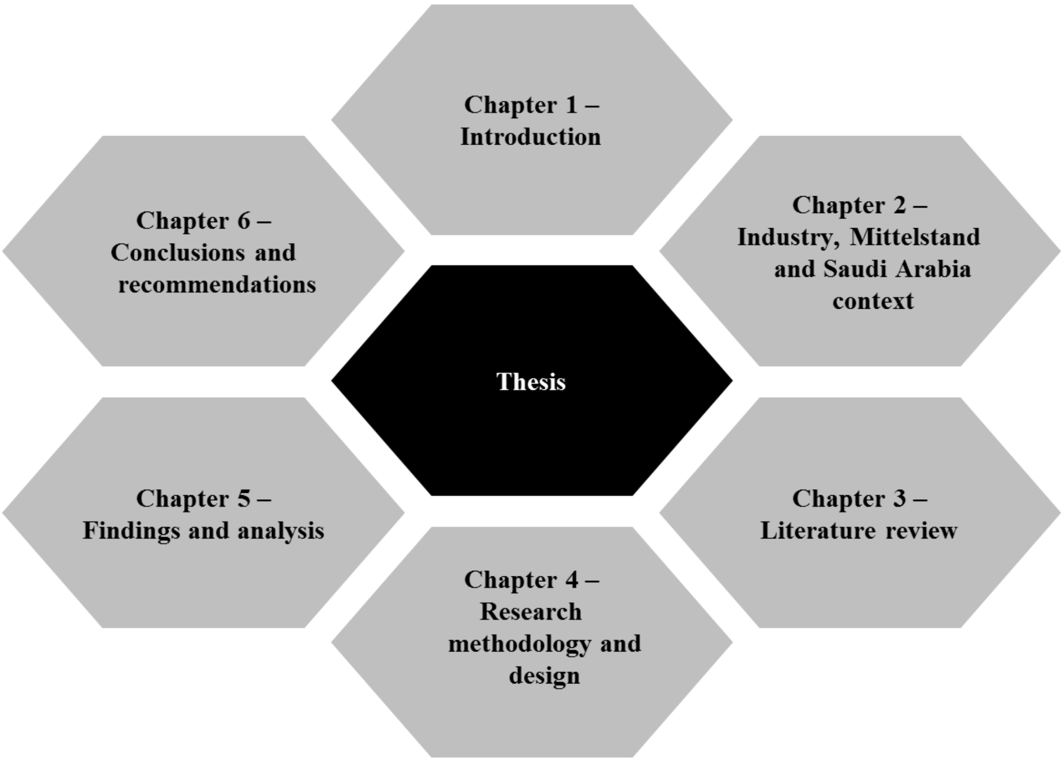


Figure 1: Thesis structure

Source: Constructed by the author.

This introductory chapter presents the general background and context of the research, including the aims and objectives, and also outlines the structure of the thesis.

The second chapter (Context: Industry, the Mittelstand, and Saudi Arabia) provides contextual information about the German machinery industry, the MFMTS as a sector, German Mittelstand firms and their Saudi Arabian engagement, as well as insights into the KSA as a regional power in the Middle East.

The third chapter (Literature review) identifies the key approaches and theories of a market entry in a systematic and structured form. Furthermore, it evaluates and reviews the factors that influences a market entry and the literature related to information about market entry modes and barriers to entry.

In the fourth chapter (Research methodology and design), the philosophical underpinning and approaches to this thesis are outlined. Details include the research design, the primary research objectives, research subjects, and data access and collection in the form of semi-structured interviews. In addition, the chapter presents details about the sampling and data analysis technique used, and information related to ethical considerations and potential limitations of the research methods used.

The fifth chapter, the findings and analysis chapter, presents the results of the analysis of the primary research in detail, and then discusses the research findings in relation to the literature.

Finally, the sixth chapter, the conclusions and recommendations chapter, concludes the thesis and presents and evaluates the practical and academic contributions based on the findings. Furthermore, the chapter discusses the limitations of the thesis and provides suggestions for further research.

2 Context: Industry, the Mittelstand, and Saudi Arabia

2.1 Introduction

This chapter presents the contextual foundation of the empirical study conducted in this thesis. It first presents the German machinery industry and its link to the MFMTS. This is followed by a section on the German Mittelstand, its definition, marketing environment, and internationalisation efforts, as well as a brief overview of the German MFMTS and its Saudi Arabian engagement. The chapter continues with insights on the KSA as a regional power, as well as particular details about the political, legal, social, cultural, and economic environment. Finally, it concludes by summarising how research objectives were achieved in this chapter.

2.2 The German machinery industry

After the automotive industry, the machinery industry was the second largest (in terms of overall turnover) in Germany in 2015 (Germany Trade & Invest, 2016b). The industry has various sub-industries and sectors, which range from electronic equipment to machinery. Thus, the industry is the only one of its kind within the regional, European context, and in 2015 it outperformed all other machinery industries in the EU with a total turnover of €230 billion (Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a).

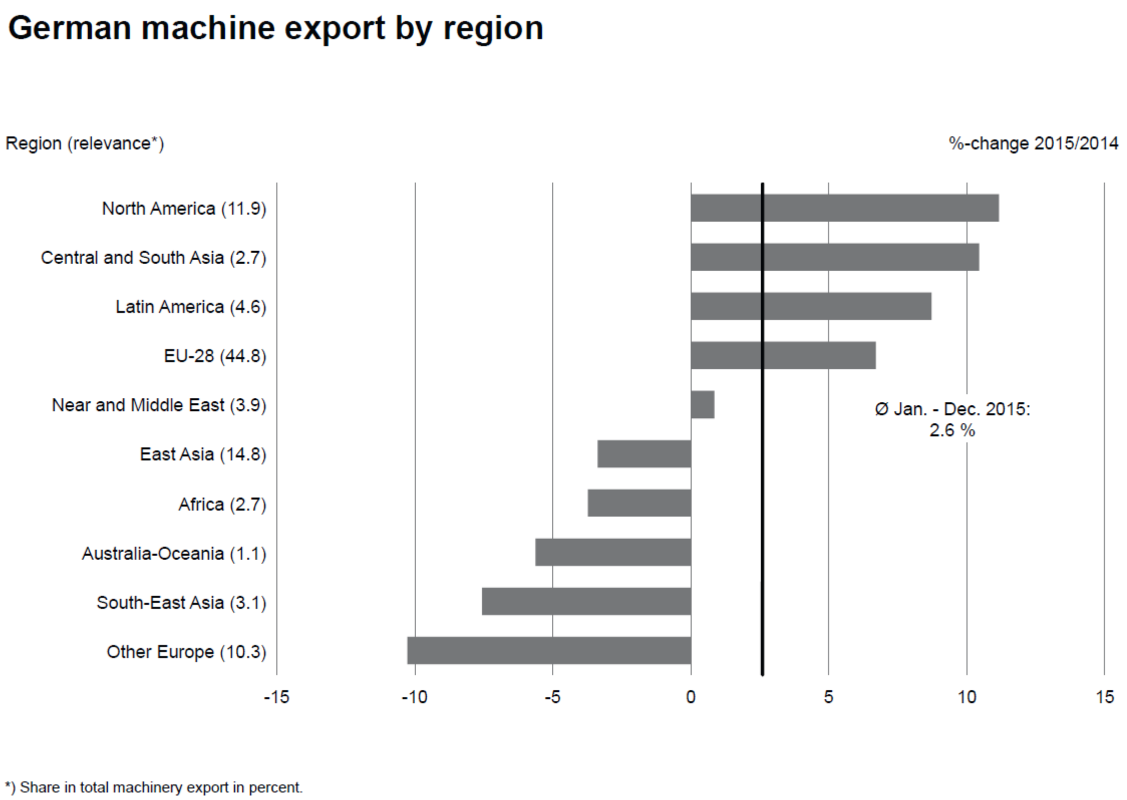


Figure 2: German machine export by region.

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 63).

The industry is based on rigorous research and development into current and future industry concepts and trends. Its research spending in Germany has accumulated to over €80 billion, which in international comparison puts the industry among the top five global nations after the US, Japan, and China. Moreover, it is in first place among European nations in terms of R&D investments, comprising approximately 3% as a share of the national GDP (Germany Trade & Invest, 2016b).

Based on an EU-wide industry classification system (Nomenclature statistique des activités économiques dans la Communauté européenne, NACE), the machinery industry can be sub-divided into 31 sectors, half of which are led by German world leaders according to Germany Trade & Invest (2016b) (ranked by revenue and world export share).

In the wider international context, the industry accounts for approximately 16% of the global machinery trade, which positions the German machinery industry before China and the US. Nearly three quarters of the industry's turnover is gained through revenues from clients abroad, which results in a major machinery trade surplus, as is the case for most of the German industries (Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a).

The German machinery products and services are not only interesting for countries outside of the EU: Germany's central location within Europe, with an attractive foreign direct investment (FDI) environment, also attracts more than one fifth of European FDIs and thereby leads the European ranking ahead of the UK and France, with most FDIs related to US investments (Germany Trade & Invest, 2016b; Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a).

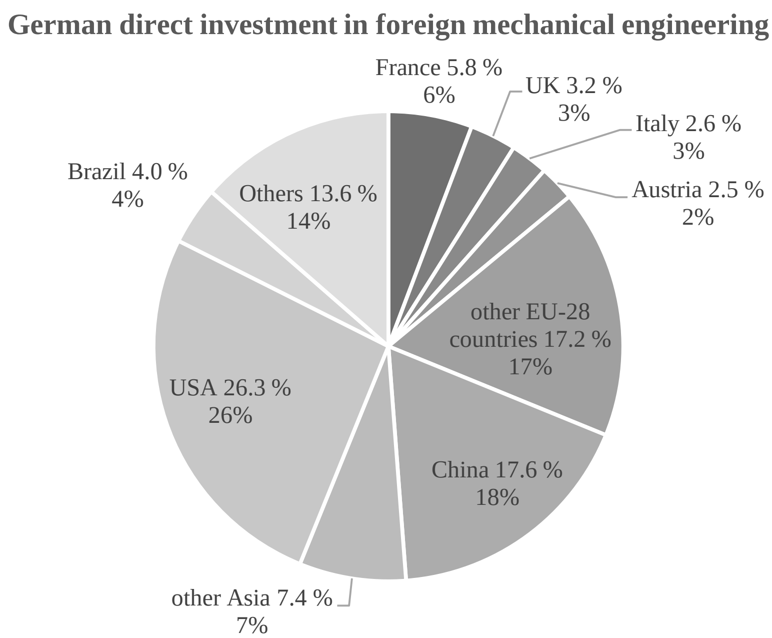


Figure 3: German direct investment in foreign mechanical engineering.

Source: Adapted from Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 66).

Although the international activity around its products and services and its role in international FDIs are important, the German machinery industry is still highly embedded in the local environments and of a decentralised nature, often distributed across regional clusters. More than 6,000 firms are a part of the industry, and more than 90% of those firms are SMEs (Germany Trade & Invest, 2016b; Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a), in Germany known as ‘Mittelstand’ (refer to section 2.4).

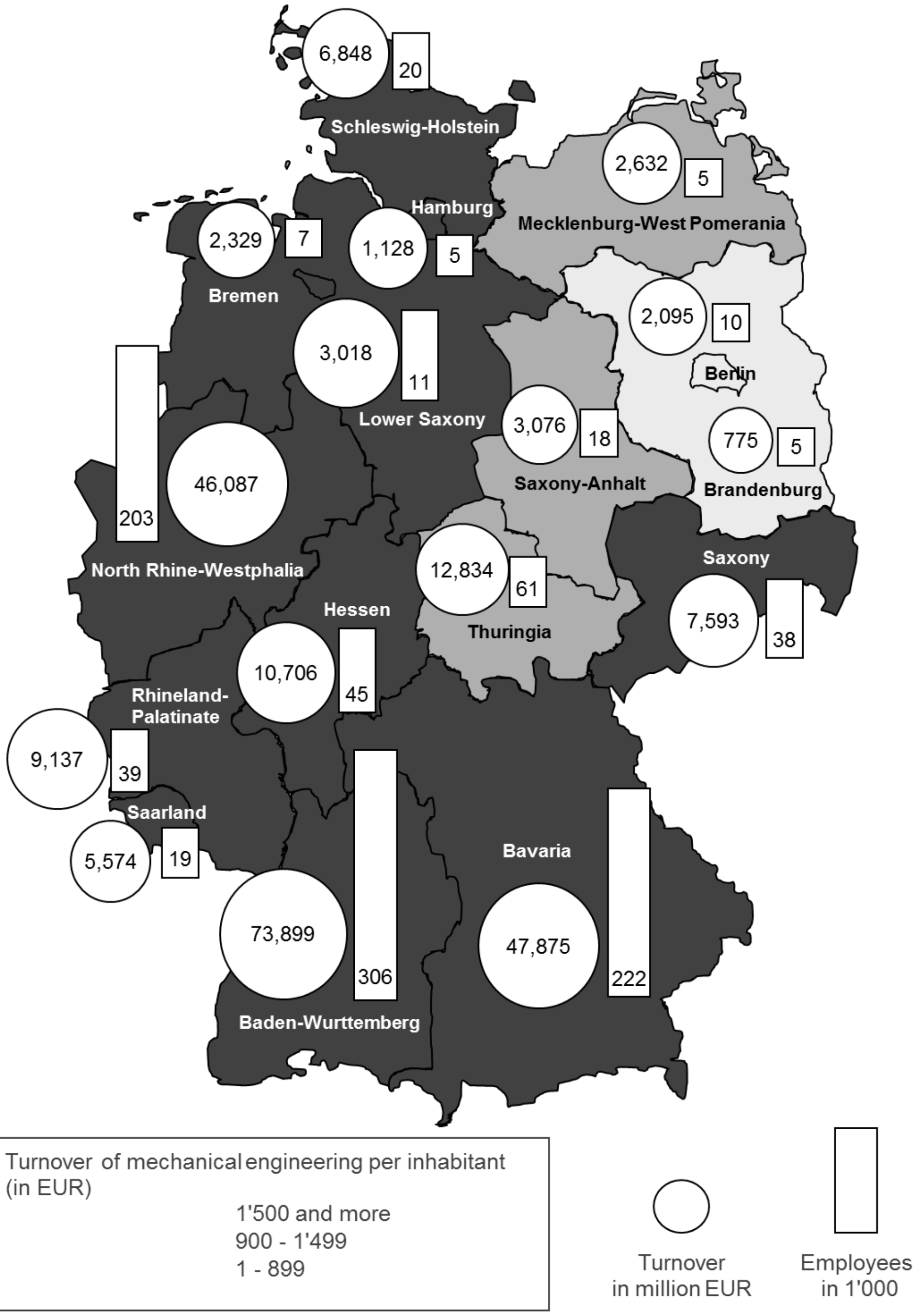


Figure 4: Employees and turnover (2015) in the German mechanical engineering industry.

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 18).

Besides the local embeddedness, various factors throughout time have improved the machinery industry's local, regional, and international standing and ranking. Engineering and manufacturing are traditional parts of the German economy and have been fine-tuned over time, with a close cooperation between R&D, regional clusters, firms, and government organisations that traditionally support know-how and regional clusters. The academic system, which focuses on sciences and mathematics, is the basis for ensuring the availability of well-educated new employees in the industry's firms. Of particular importance for the education of new employees is the world-famous German dual education system, which consists of two- to three-year-long apprenticeships that contain mixed modules of theory at schools and practice, with on-the-job work modules. This vocational training concept allows firms to familiarise themselves with their future employees over a long time and to train them as per their specific needs. Moreover, this is also one of the reasons why the youth unemployment rate in Germany is one of the lowest among EU member states (Germany Trade & Invest, 2016b; Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a, 2016b).

From 2003 to 2005, the German government executed the so-called 'Agenda 2010', a set of economic and social reforms; thus, unemployment was reduced and economic growth measurements were put into place. Nowadays, with its high productivity combined with a tradition of quality and a stable economic environment, the German machinery industry can look back on steady growth rates while providing flexible manufacturing opportunities such as shift works and the possibility to produce 24 hours a day, 7 days a week with special permits (Germany Trade & Invest, 2016b; Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a, 2016b).

The stable environment of the German manufacturing industry is also linked to close cooperation within the EU and to Global Trade Agreements and their legal frameworks. The freedom of movement of goods and people, freedom of capital, the possibility of repatriation of profits, and currency transfers are only a few of the many advantages of this environment, in addition to the large EU single market, consisting of approximately

510 million people. Moreover, intellectual property and contractual arrangements under the independent German legal system are specifically secured and protected (Germany Trade & Invest, 2016b; World Trade Organisation, 2017a).

2.3 The German metal forming machine tool sector

The manufacturing industry is one of the most important German industries in terms of people employed and GDP ratio (Make it in Germany, 2016). As an exhaustive Pan-European classification and definition of industries and sectors barely existed, an EU-wide classification (NACE) was introduced in 2003. This classifies the industries and sectors transnationally to better compare and contrast them (European Commission, 2008a). The NACE classification is based on the United Nations International Standard Industrial Classification (ISIC; Eurostat, 2008a).

The MFMTS in Germany is the focus of this thesis. The sector is part of the manufacturing industry (NACE Code: C), which can be sub-classified into the machinery and equipment-manufacturing sector (NACE Code: 28) as presented in Figure 5. The cluster code for the MFMTS in the NACE classification system is 28.4 and, according to Eurostat (2008b, p. 183), includes firms that manufacture

> *[…] metal-forming machinery and machine tools, for example manufacture of machine tools for working metals and other materials (wood, bone, stone, hard rubber, hard plastics, cold glass etc.), including those using a laser beam, ultrasonic waves, plasma arc, magnetic pulse etc.*

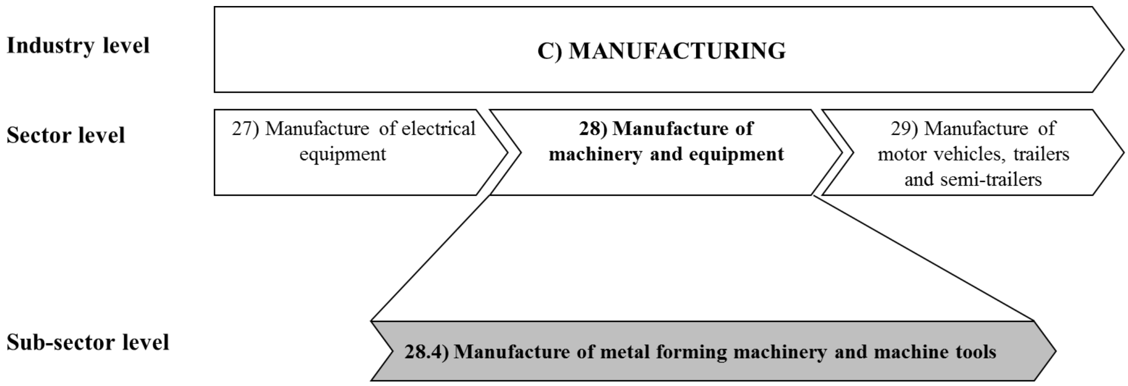


Figure 5: NACE classification of the MFMTS

Source: Adapted by the author from European Commission (2008a).

With close to 70,000 employees and a production value of around 14 billion EUR, the German MFMTS and its products are the third biggest industry sector (measured by production value; refer to Figure 6) within the German machinery industry (German Machine Tool Builders' Association, 2016b).

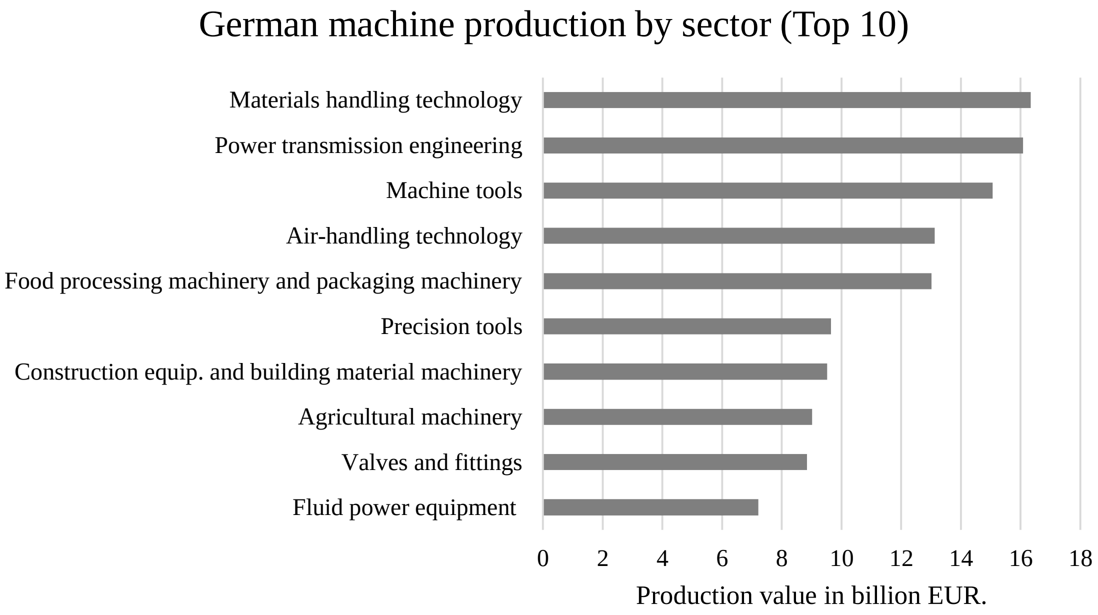


Figure 6: German machine production by sector.

Source: Adapted from the Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 89).

More importantly, the sector plays a major role both in the German economy itself and worldwide (refer to Figure 8), as nearly all physical products need to be created with a machine that can be attributed to the MFMTS (German Machine Tool Builders' Association, 2014). Products manufactured within the MFMTS can be distinguished into two categories: metal cutting and metal forming machine tools. The former account for approximately 80% of both sector production and export turnover, and the latter approximately 20% (German Machine Tool Builders' Association, 2017a). The first category combines products such as laser, ion beam, and ultrasonic machines; transfer machines; unit construction machines; drilling and grinding machines; and honing and lapping machines. On the other hand, the second category includes forging machines and hammers; bending, folding, and straightening machinery; shearing, punching, and notching machinery; and wire working machines (German Machine Tool Builders' Association, 2017a).

As can be seen in Figure 7, structural changes have taken place in the sector over the last years. There is a tendency for companies within the sector to become larger, as demonstrated by the increasing number of firms employing more than 501 employees. More people are employed in larger firms of more than 1,000 employees, and the major sector production value has also shifted towards larger firms, while in particular firms employing between 251 and 500 employees are proportionally decreasing in numbers (German Machine Tool Builders' Association, 2017b).

No. of employees	**Companies**			**Employment**			**Production**		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
1-50	11.9	12.2	11.7	0.9	0.8	0.7	0.8	0.8	0.7
51-100	12.9	11.2	12.8	2.7	2.3	2.4	2.5	2.2	2.1
101-250	27.7	31.6	29.8	11.4	13.1	11.8	11.0	12.0	10.3
251-500	24.8	20.4	16.0	23.3	19.1	13.7	18.7	15.9	11.7
501-1000	15.8	16.3	19.1	30.1	30.2	29.4	33.8	31.3	28.2
> **1000**	6.9	8.2	10.6	31.6	34.6	41.8	33.2	38.0	47.0
Total	100	100	100	100	100	100	100	100	100

Figure 7: German metal forming machine tool sector by company size (%-shares)

Source: German Machine Tool Builders' Association (2017b, p. 62).

Compared on exports, the German MFMTS' share of the world market in 2012 was around 16% – in second place closely behind China, and ahead of Japan (third place). As with most goods produced in Germany, the majority of the machines were exported (with a book value of around 10 billion EUR). In 2015, the major import markets for German MFMTS products were the USA, China, and Russia (German Machine Tool Builders' Association, 2016a). Major MFMTS competitors of the German sector within Europe are located in Switzerland, France, and Italy. Further abroad, the USA, Japan, and increasingly China are also becoming strong competitors, with their increasing focus on the machinery industry and one of its core sectors, the MFMTS. All MFMTS competitors manufacture not only for their home markets, but increasingly also for markets abroad, with a clear focus on the Middle East, South-East Asia, India, and China (German Machine Tool Builders' Association, 2017b).

Sector	Year	Exports of all countries million EUR	Rank 1		Rank 2		Rank 3		Rank 4		Rank 5	
			Country	%-share	Country	%-share	Country	%-share	Country	%-share	Country	%-share
Machine tools	2011	44,135	JP	22.8	DE	18.0	IT	8.5	TW	7.7	CH	6.4
	2012	50,675	JP	23.7	DE	18.9	IT	8.2	TW	7.4	US	6.0
	2013	44,282	DE	20.7	JP	18.1	IT	8.7	TW	6.9	US	6.5
	2014	46,245	DE	19.6	JP	19.3	IT	8.3	TW	7.2	CN	6.7

Figure 8: Machine tool sector – export ranking

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 262).

Since the economic downturn that followed the financial crisis between 2008 and 2011, the sector is slowly recovering (refer to Figure 9). The employment of the sector in 2016 was expected to be at a similar level as before the crisis, while the total sector's production value and industry share had already recovered earlier and are now on the way to a new record year. Similar data can be provided on the export volume and export industry share, while the import volume and import industry share have recovered but are not yet back to the 2008 numbers. The lower capacity utilisation in 2015 compared to 2008 could be interpreted as a worrying sign. However, as the representing business association of the machinery industry, the Verband Deutscher Maschinen- und Anlagenbau e.V. (German Engineering Association, VDMA) states that major investments were on hold during the economic crisis and postponed until 2012-2015, which explains the lower capacity utilisation rate.

Subject	Unit	2008	2009	2010	2011	2012	2013	2014	2015
Employees	1000	70.8	66.0	61.1	62.0	65.0	66.8	67.4	68.5
Production	Million EUR	14,179	10,178	9,823	12,925	14,178	14,570	14,485	15,061
Share of total industry	percent	7.2	6.8	6.0	6.9	7.3	7.5	7.3	7.5
Exports	Million EUR	8,206	6,033	6,087	7,949	9,555	9,168	9,053	9,402
Share of total industry	percent	5.7	5.4	4.9	5.6	6.4	6.2	6.0	6.0
Imports	Million EUR	3,712	2,121	1,983	2,819	3,225	2.936	3,106	3,323
Share of total industry	percent	7.0	5.4	4.3	5.2	5.7	5.3	5.2	5.4
Imports in percent of exports	percent	45.2	35.2	32.6	35.5	33.8	32.0	34.3	35.3
Capacity utilization	percent	96.1	65.9	76.3	94.7	96.9	92.6	89.9	87.0

Figure 9: Machine tool sector – key data.

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 94).

In Germany, and the south-west in particular, the MFMTS is an important indicator of economic health, and one of the major initiators of R&D and technical innovations. Over 40% of German MFMTS firms have their headquarters/main office in south-west Germany, and more than 45% of all German MFMTS employees work in Baden-Württemberg. Moreover, more than half of the German MFMTS production (53.7%) has its origin in the south-west of Germany (German Machine Tool Builders' Association, 2016b). Within the context of this thesis, the south-west of Germany is defined as the state of Baden-Württemberg, which is one of the 16 states of the Federal Republic of Germany (Central Intelligence Agency, 2016b).

Baden-Württemberg is important to the German economy and to the machinery industry, as many small 'hidden champions' have their roots within the state (Stuttgarter Nachrichten, 2010) and are also 'global players', known worldwide for their products. To keep these firms competitive both in Germany and worldwide, the local government tries to support future products and services with improvements to the infrastructure and a close proximity to some of the best universities and research facilities in the country (Handelsblatt, 2013; Wirtschaftswoche, 2013).

2.4 The German Mittelstand

2.4.1 Definition of SMEs

A generally accepted definition and understanding of the term 'SME' barely exists on an international level. Reasons for this include different economic as well as regional and institutional developments. Terms such as 'small to medium enterprises', 'small and medium-sized businesses' (Wiklund & Shepherd, 2003), or 'mid-size business' (Perks & Hughes, 2008) also exist.

A close link exists between SMEs and entrepreneurship, in particular in knowledge-based economies. (Schiliro, 2012). According to Romer (1994) knowledge is identified as one of the most influential factors for entrepreneurial activities and as a result also influences the success of SMEs (Pagano & Schivardi, 2003).

As a globally applicable and respected definition does not appear to exist, classification factors for an SME are important. A distinction can be made between a quantitative and a qualitative approach. Key factors for a quantitative SME definition can be financial figures (such as profits or turnover of the firm), the number of employees, or a combination of both (Ayyagari, Beck, & Demirguc-Kunt, 2007). Qualitative criteria can be the close link between (family) ownership and management, a simple internal structure, or strong reliance on self-financing (H.-E. Hauser, 2005).

In the European Union (EU), a fixed standard definition of the term SME exists for all members. It is clustered into micro (up to nine employees and a total turnover of less than two million euros or an annual balance sheet total of less than two million euros), small (up to 49 employees and a total turnover of less than 10 million euros or an annual balance sheet total of less than 10 million euros), and medium-sized firms (up to 249 employees and a total turnover of less than 50 million euros or an annual balance sheet total of less than 43 million euros) according to the European Commission (2014).

In contrast, the USA does not have a fixed SME definition, but instead defines it on a continuous basis, constantly adding sub-classifications depending on the (regional) business environment (U.S. Small Business Administration, 2016b). In addition, the USA's definitions may also vary by industry or sector, as the authorities believe that a universal definition across all industries and sectors in the country is not applicable or realistic (U.S. Small Business Administration, 2016a).

Furthermore, Chittenden, Kauser, and Poutziouris (2003) argue that an SME definition based on turnover is non-comparable due to different national taxation and accounting systems.

2.4.2 Definition of German Mittelstand firms

The German term 'Mittelstand' corresponds to the term SME. The German expression is not only used in German publications, but also internationally as a particular phenomenon of the German economy (The Economist, 2014).

While Germany is part of the EU, and thus the EU definition of SMEs applies to German firms, there is resistance to the application of the EU definitions to German Mittelstand firms. In an article in its own magazine, the Federation of German Industries (BDI) stated that the EU SME definition is not useful for German SMEs that are active in an industrial sector, as the sectors are human resource intensive due to the production of complex technical products that require respective know-how. This, according to the federation, applies to the majority of German Mittelstand firms and is an essential part of the economic success of those firms (Federation of German Industries, 2012). In addition, the German Electrical and Electronic Manufacturers Association also criticised the EU SME definition as not being useful, as the organisational structures of their association members do not fit within the EU rules (German Electrical and Electronic Manufacturers Association, 2013).

A classification by organisational key performance indicators (KPIs), if applied in accordance with the EU SME definition, could be problematic: most German SMEs are not listed on the stock exchange (Eckardt, 2012) and hence do not need to publish detailed financial information compared to often larger stock corporations such as MNEs. Gillmann (2006) states that the missing publication of key financial figures can often be seen as a competitive advantage for a firm.

As this thesis focuses on German Mittelstand firms, the abovementioned specifics need to be incorporated into a definition, as they also affect the empirical study's sample. The German method of defining its own SMEs, as outlined by the Institut für Mittelstandsforschung (Institute for Mittelstand Research, IfM), uses quantitative criteria, such as having less than 500 employees and an annual turnover of less than 50 million EUR (Günterberg & Wolter, 2003). In addition, in the IfM definition, Mittelstand firms can also be described using qualitative criteria: family firms, whereby the owner or the owner family leads the firm, take responsibility for the business's liability and risk, and are seen as Mittelstand firms independently of any quantitative criteria (Wolter & Hauser, 2001).

Most organisations (approx. 95%) within the German mechanical engineering industry – with up to 499 employees if measured in purely quantitative terms – are part of the German Mittelstand. These organisations employ around 75% of the industry's workforce and account for approximately half of its turnover (refer to Figure 10).

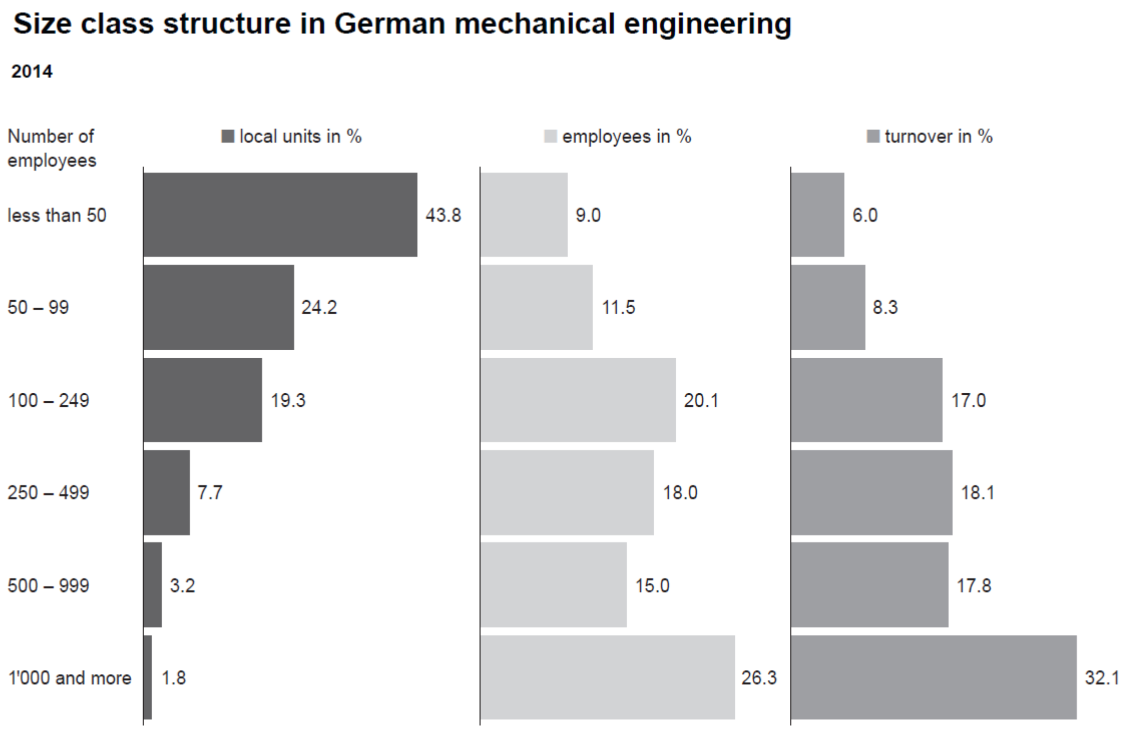


Figure 10: Size class structure in the German mechanical engineering industry.

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a, p. 75).

Hommel and Schneider (2003, p. 54) summarised the key differences between the EU SME definition and the IfM Mittelstand definition as follows:

> *It is apparent that the EU Commission applies a much narrower view when defining Mittelstand while the German literature largely follows the standards of the Institut für Mittelstandsforschung (IfM).*

In summary, the EU SME definition is applicable to German firms by law. Nevertheless, it is not suitable in the context of this thesis due to the specifics of the German industry, particularly in the machinery industry context. For this reason, the thesis follows the IfM definition of Mittelstand firms in order to be in line with potential sample organisations and to be able to draw comparisons with other findings within the Mittelstand literature.

2.4.3 The German Mittelstand in an international context

With its focus on industrial products, the German economy has always been active in global markets, and particularly in the ‘traditional’ ones such as neighbouring EU markets, the US, and Japan. This international activity is a central part of the competitive strategy used by all companies, including German Mittelstand firms (Kraft, Dowling, & Helm, 2012).

Compared to other industrialised countries, Germany’s industry is now more integrated into global business than ever before (Federation of German Industries, 2016). Currently, only China exports more goods and services to other countries (World Trade Organisation, 2016). Moreover, in the last decade the German economy, which mainly consists of Mittelstand firms (German Federal Ministry of Economic Affairs and Energy, 2016), increased its FDI by around 100%, with a focus on emerging markets (EMs) (OECD, 2016). In 2016, the German share of global FDI capital stock was around 7% (Brutscher, Raschen, Schwartz, & Zimmermann, 2012; German Central Bank, 2016).

A major part of this success can be linked to the German Mittelstand, as one in four Mittelstand firms is internationally active and through this achieves, on average, around 25% of its annual turnover from international business. At the same time, the Mittelstand is risk-averse, with less than 5% holding FDI engagements abroad (Brutscher et al., 2012; Leick, Leßmann, & Nussbaum, 2012).

From an organisational perspective, a market entry abroad offers Mittelstand firms access to new distribution channels and procurement markets, such as the BRICS markets as well as the Middle East, South-East Asia, and South America (Böhmer et al., 2012). While traditional economic business flow involves selling products abroad and in return earning money for doing so, experts foresee a new trend for the future with SMEs/ Mittelstand firms becoming linked to global supply chains that have access to raw materials and intermediate products. This could help to decrease production costs and also gain new knowledge and technologies from abroad (Löbig, 2011).

An increasing number of Mittelstand firms that focus on the German market are seeing the need to enter markets abroad, mainly due to increased price competition, increases in the product quality of international competitors, and limited home markets within their niches (Kranzusch & Holz, 2013). A market entry abroad can help to decrease the price and quality pressure and open new distribution and procurement channels while spreading the operational risk through diversification of the organisational portfolio (Kienbaum, Kabst, Gutmann, & Stiftung, 2000).

2.4.4 SME and Mittelstand marketing environmental pressures

According to Bell (2015), a World Bank expert in SME finance, SMEs are major pillars for internationally oriented and emerging markets, and can significantly contribute to a country's total employment and national income. The German economy relies on its historic Mittelstand firm tradition and future growth, knowledge, and experience (Holz, 2013; Kraft et al., 2012). To further grow and expand, more and more Mittelstand firms are internationalising and entering markets abroad.

Reasons for this market entry are diverse and can include the stagnation of the local home market (Forsman, Hinttu, & Kock, 2002), new distribution markets and lower costs abroad (OECD, 2008), as well as mitigating the risks (Wilson, 2006) of becoming too dependent on just one market. This trend has been further enhanced with the rise of new technology, which has removed previous technical barriers by simplifying and increasing communication (H. Lee, Kelley, Lee, & Lee, 2012).

2.4.5 SME and Mittelstand internationalisation issues

The aforementioned global changes have been initiators for SMEs in the past few decades, with some becoming highly successful in setting up international activities. Intensive research has been conducted on the influencing factors regarding SMEs' market entry during this time. Two factors stand out in most of the research: the SMEs' lack of resources compared to MNEs (Hessels & Parker, 2013), and the influence and role of the SMEs' organisational staff (Fernández-Ortiz & Lombardo, 2009). Due to their organisational structure, SMEs cannot use as many resources (such as in the form of capital, risk, knowledge, and human resources) for a market entry as a global MNE can. Accordingly, the absolute risk for an SME firm to internationalise is higher than it is for larger firms (Lloyd-Reason, Ibeh, & Deprey, 2009). On the other hand, the potential drawback of a lack of resources may be overcome through the stronger influence that the organisational staff can have in the organisational efforts to enter markets abroad. A strong relationship has been found between the leading key management staff and the success of the SME firm in internationalising (Eberhard & Kiessling, 2013; Fernández-Ortiz & Lombardo, 2009; Lloyd-Reason & Mughan, 2002). In a similar vein, a recent research focus has been the networking capabilities of leading personnel during the market entry. Studies show that previous experience, international background, and a strong inner motivation among the personnel are important influencing factors for SMEs aiming to internationalise (Javalgi & Todd, 2011).

While research about SMEs and their market entry can be exhaustive, research findings and general academic literature regarding the market entry of Mittelstand firms is limited (McDonald, Krause, Schmengler, & Tüselmann, 2003). Prause, Kramer, and Wismar (2006) empirically reviewed manufacturing Mittelstand firms in Eastern Germany and found that key barriers to market entry abroad are low profit expectations, language barriers, small market potentials, financial constraints, information constraints, human resource constraints, bureaucratic and legal barriers, and missing cooperation partners. Furthermore, the German Reconstruction Credit Institute (KfW; 2012) concluded that the Mittelstand is risk-averse and faces various challenges, including missing knowledge and transparency regarding how to enter abroad, host country legal challenges and protectionism, intercultural and language barriers, general business risks, and financial constraints. However, a call has been made to convert the aforementioned challenges into opportunities to raise the Mittelstand's *'sleeping potential'* (p. 4).

2.5 The German machinery industry and its Saudi Arabian engagement

Historically, Germany has been one of the main machinery suppliers for Saudi Arabia. It was the third largest supplier in 2015 after the US and China, with a total market share of 13% (Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a).

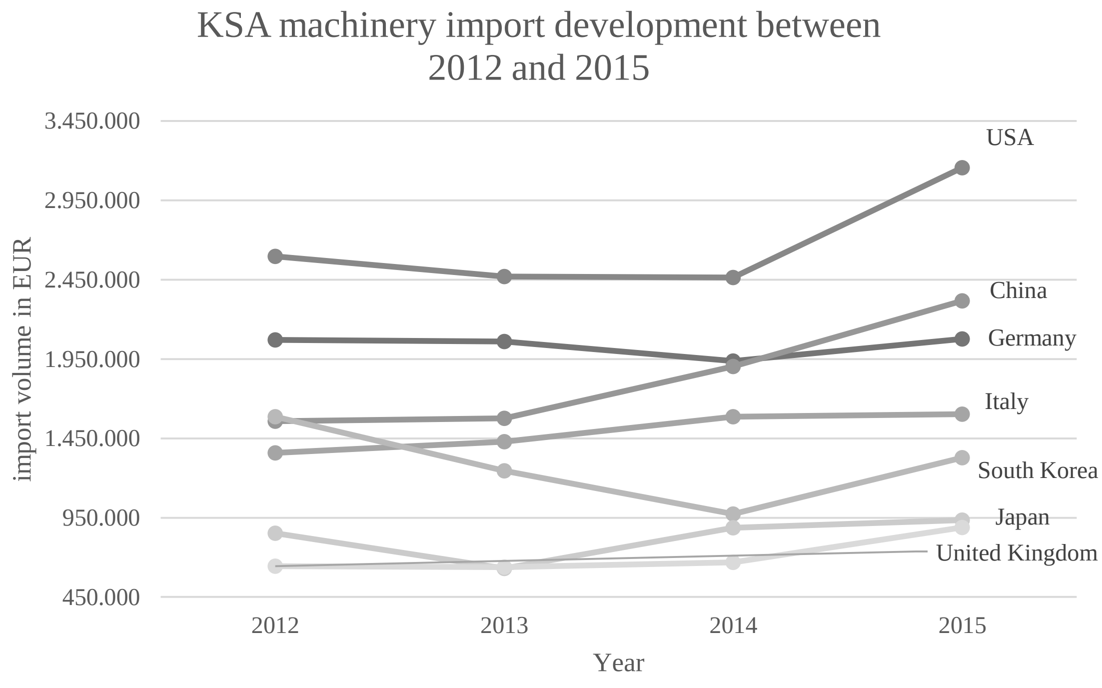


Figure 11: KSA machinery import development between 2012 and 2015.

Source: Verband Deutscher Maschinen- und Anlagenbau e.V. (2017).

The demand for machinery in general developed negatively in 2016 compared to the previous years. According to Germany Trade and Invest (GTAI), this was related to the negative general economic development and low oil prices.

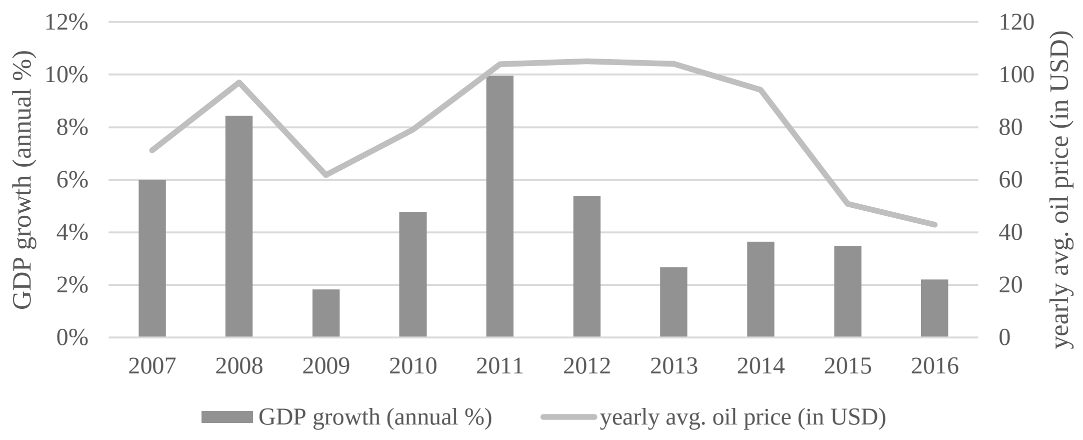


Figure 12: Annual GDP growth and oil price development in KSA.

Source: Worldbank (2016b).

For the future, the VDMA expects a stabilisation of the recent import developments and hopes for a further diversification of the Saudi economy and infrastructure developments. The GTAI predicts growing numbers, subject to a stabilisation of oil prices and a growth in the local car industry, as well as growth in the environmental technology industry and the plastics technology industry (Verband Deutscher Maschinen- und Anlagenbau e.V., 2016a).

Currently, the most important customer groups in the KSA for the German machinery industry are the oil and gas industry, the energy and chemistry industries, metal production, and the construction sectors (Germany Trade & Invest, 2016b).

A local production of foreign machinery providers is still hardly available. Currently, the few foreign organisations representing their products and services in the KSA are joint-ventures with local partners, and they only provide distribution channels and machinery servicing (Germany Trade & Invest, 2016b). The Saudi government and its investment authority are keen to attract local production in the KSA and gain from the subsequent know-how transfer; yet Soni (2015) states that the investment climate for local machinery production in the KSA is challenging, mainly because of regularly occurring rapid legal changes and long-term policy objectives, such as maximising the local labour program (refer to section 2.6.5).

2.6 The KSA as a regional power in the Middle East

2.6.1 General overview

The KSA is the largest country on the Arabian Peninsula, with a size of around 2.15 million square kilometres (which is around six times the size of Germany, or close to nine times the size of the UK). The country has direct borders with Jordan, Iraq, Kuwait, Qatar, Bahrain, the United Arab Emirates, Oman, and Yemen. The country is situated between the Red Sea in the West and the Arabian Gulf in the East (Central Intelligence Agency, 2016a).

Historically, the first Saudi state was founded in 1744, but it did not survive due to tribal rivalries. The Kingdom in the current form was proclaimed on 23rd September, 1932. The foundation of the Kingdom was supported by a religious movement, the Wahhabi movement, which is a strongly religious group that aims to bring the Islamic religion back to its ancient roots and understandings (Commins, 2006). Today, the strict Wahhabi interpretation of Islam is present in everyday life in Saudi Arabia. For example, women need to fully cover themselves with a black robe once they leave their home, are not allowed to drive cars by themselves and shops close five times a day during the prayer time (Countrywatch Review, 2016).

Today, around 30 million people live in the country. Around eight million people are so-called ‘expatriates’, mainly from the neighbouring Arabian countries, South-East Asia, the US, and Europe. Of the total population, around six million people live in the capital, Riyadh, which is centrally located in the Kingdom. Overall, the Kingdom is primarily a desert climate (Central Intelligence Agency, 2016a).

The political system is based on an absolute monarchy, which also has its foundations in the strict religious beliefs of the Wahhabi movement. The current King, Salman bin Abdulaziz Al Saud, is the ‘Custodian of the Two Holy Mosques’ in the cities of Maccah and Madinah in the Western Province, which are religious sacred sites for Muslims. The system has no parliament as in Europe or the US, but a Consultative Council whose members are appointed by the King. Officially, the kingdom does not have any political parties nor an opposition, but an opposition exists abroad (International Business Center at Michigan State University, 2016).

Saudi Arabia was a poor country until oil was found. Since then, the GDP and per capita income have risen to some of the highest levels in the world, making the country one of the richest in the world. Saudi Arabia owns around 20% of the world’s available oil reserves, while the oil sector contributes to around 90% of the budget reserves and around 45% of the national GDP. Due to this dependency, the government aims to develop further economic sectors so that Saudi Arabia can become less dependent on oil revenues (Worldbank, 2016b).

In early 2015, during the writing of this thesis, the former King, Abdullah, died and his successor, Salman, took over the power, including the Crown Prince Muhammad bin Nayef bin Abdulaziz Al Saud and the Deputy Crowne Prince Mohammad bin Salman Al Saud. While some expected a radical change in the political climate and discussion, including the links to the cultural and religious establishments, over a year later a certain political stability can be seen – despite regional conflicts in Yemen, Syria, and Iran, the threats of the Islamic State, and the low price of oil, which still accounts for a major part of the country’s gross income. Political reforms and changes have been started, yet have not had any major results to date (Black, 2016; Gardner, 2016). Expectations that the overall transparency within the kingdom would increase while excesses of the princes and corruption within the government would be reduced have not become reality (Black, 2016).

At the same time, according to Amnesty International USA (2016), the human rights situation has not become positive: the contrary seems to be the case in terms of executions:

> *During the first year of King Salman's reign, the Saudi Arabian authorities carried out the highest number of executions in a 12-month period in two decades, including by executing 47 people in a single day on January 2, 2016 (Amnesty International USA, 2016).*

Black (2016) furthermore highlighted that one of the first actions of the new King Salman was to replace the relatively liberal head of the religious police *'with a more hardline figure'*, which has not helped the liberalisation of the cultural, religious, and social environments, let alone women's rights.

As a result, it can be concluded that, since his enthronement, King Salman has started some reforms and changes, but that those changes have been interpreted as long-term strategic internal reforms. At the time of this writing, they have not had any impact on this thesis compared to the previous situation under King Abdullah.

2.6.2 Political and legal system

Saudi Arabia does not have an official constitution, but does have a 'Basic Law of Government' that serves as an alternative form of constitution. The document describes the basic principles of the political and legal systems and is based on religious and traditional principles (Kingdom of Saudi Arabia - Ministry of Foreign Affairs, 2011).

The executive branch in Saudi Arabia consists of the Chief of State, the Head of Government, and the Cabinet. In this matter, the King is not only the Chief of State but also the Head of Government. The cabinet and the ministers are appointed by the King and are currently mainly family members: the parliament and Saudi citizens do not have the opportunity to elect members (Central Intelligence Agency, 2016a).

The judicial branch and the legal system are based on traditional Islamic Sharia Law. Within the kingdom, this is the sole element on which all cases are based. Sharia Law is based on the Qur'an and the practices of the Prophet Mohammed (called 'Sunnah'). In addition, the law includes the opinions of Islamic scholars (called 'Ijma') who studied specific cases after the death of the prophet. Nevertheless, the legal system includes elements of Egyptian, French, and Customary Law, while Islamic law handles both criminal and civil cases. Contrary to Europe, the final court of appeal is not an institution but the King himself (Countrywatch Review, 2016). The court system consists of Sharia courts, a Board of Grievances, and Committees. Most legal cases are heard in the Sharia courts, which are structured into courts of first instance and second instance, and the supreme council. The Board of Grievances is involved once cases involve government institutions and their actions. Finally, the committees are used once disputes and cases are opened within government ministries in relation to specific disputes (Al Nami Law Firm, 2014).

The third branch, the legislative branch, is the Consultative Council (called ‘Majlis al-Shura’). Members of the Consultative Council serve four-year terms. Around 20% of the members are women. All Shura members are appointed by the King (Dekmejian, 1998; Saudi-US Relations Information Service, 2013).

2.6.3 Culture and social environment

Saudi society is still influenced by the historic Bedouin culture, society, and rituals (Maddux, San Martin, Sinaceur, & Kitayama, 2011). This is especially the case for women, as they need the support of their male guardian (usually the father, brother, or husband – called ‘mahram’) to gain access to education and/or work (Hamdan, 2005). Nevertheless, the majority of women in Saudi Arabia are able to study at universities (Watson, 2012). In the 1970s, women had a literacy rate of around 2% (Hamdan, 2005), while this has risen to around 71% (Countrywatch Review, 2016).

There is not only a separation between men and women (Meijer, 2010), but also one between Saudi citizens and foreign expatriates, Muslims and non-Muslims, members of tribes with high prestige and lower prestige, and even between old, established Saudis and naturalised Saudis (Altorki, 2000; Moaddel, 2006; Niblock, 2015). All of these separations influence social prestige and also have a major influence on other parts of life: nepotism exists and can be a factor of major influence depending on social standing (Aldraehim, Edwards, Watson, & Chan, 2012).

Contrary to the western understanding of cultural activities, public events (if any) are strictly gender-separated, and cinemas and concerts do not exist at all (Ambah, 2009). Private Saudi cultural life happens at home, in the desert, or over the weekend abroad in neighbouring countries (Trenwith, 2013). Many of the well-educated expats from all over the world live in gated communities and compounds and enjoy a relatively free and liberal life where some of the existing bans, especially for women, are not enforced (Glasze, 2006).

While the conservative parts of the Saudi society, including the religious police (called ‘muttawa’), would like to have a fully conservative and religious country (Countrywatch Review, 2016), modern technologies such as satellite television, the Internet, and social media (Ghannam, 2011) as well as international travel are slowly finding their way into the more liberal and modern parts of society.

2.6.4 Economic environment

Saudi Arabia is an oil-based country that tries to integrate its own economy and the global economy (Central Intelligence Agency, 2016a). In recent years, GDP growth rates have been among the highest of the G20 countries (Worldbank, 2016b). Some of the largest firms in the world are government-owned: Saudi Aramco and Saudi Basic Industries Corporation (SABIC), which are active in the oil and gas business, are two such companies. The KSA also actively engage in other business areas, such as energy, water supply, and communications (Reuters, 2014).

Since joining the WTO in 2005, an increasing number of sectors in KSA are becoming privatised, and foreign investors are being granted access to them. The Saudi government’s long-term vision is to become less dependent on revenue from the oil business by fostering sectors and businesses that are not related to the oil business (Kingdom of Saudi Arabia - Supreme Economic Council, 2012). The globally accepted ‘Ease of Doing Business Index’ (Worldbank, 2016a) ranks Saudi Arabia as 82nd of 189 countries worldwide, which supports the on-going process of attracting FDI. The ‘World Investment Report 2016’ (United Nations Conference on Trade and Development, 2016) also presents the kingdom as a major beneficiary country with high investments from abroad, and also as an investor abroad. At the same time, government debt is approximately 3.4% of the GDP (2015 est.), which is a relatively low figure when compared with other countries (Central Intelligence Agency, 2016a). By 2025, Saudi Arabia aims to reduce international dependency, especially on foreign labour, skills, and know-how. In addition, existing local potential in the form of natural resources and human capital will be exploited, and diversification of the local industry, combined with higher productivity, will be achieved (Kingdom of Saudi Arabia - Ministry of Economy and Planning, 2009).

While some of the economic macro indicators show a certain upward trend, the kingdom also has enormous economic problems: the unemployment rate in Saudi Arabia, was around 11.6% in 2016 so far (Syed, 2016), while according to Alhamad (2014) the female unemployment rate is higher than the male employment rate. Furthermore, the estimated number of unreported unemployed could be up to double that figure (Rifai, 2014).

Furthermore, Saudi Arabia is still a long way from being an open and free market economy. In most cases, the formation of a firm in Saudi Arabia cannot be achieved without a Saudi partner (Saudi Arabian General Investment Authority, 2010). The employment of a foreigner in a firm is linked to a Saudi national sponsor (called ‘kafeel’) who guarantees for the foreign employee. This legally enforced relationship often results in an extensive form of exploitation, especially with low-paid expatriates from South-East Asia and Africa, while a ‘caste system’ exists, which increases the trend of Saudi nationals refusing certain ‘low-level’ jobs because they feel superior to those jobs (Khan & Harroff-Tavel, 2011).

Many female Saudis are western-educated and could support the Saudi economy through their bi-cultural context. Nevertheless, the traditional family portrait, in which the man is employed and the woman stays at home and cares for the family, makes it difficult for the Saudi economy, which lacks skilled Saudi labour and to date relies mainly on Saudi males and expatriates (Sullivan, 2012).

2.6.5 The Saudi Arabian labour nationalisation program

Definition

According to Godwin (2006, p. 8), labour nationalisation is *[…] an affirmative action quota driven employment policy that ensures […] nationals are given employment opportunities in the private sector.* The above definition is only partly applicable as labour nationalisation in the GCC countries also applies to public sector employees. Wilkins (2002, p. 8) suggested the following definition, which will be used for the purpose of this thesis: '*Labour nationalisation aims to reduce the country's reliance on expatriate labour and increase the participation of nationals in the labour market*.'

From time to time, the term 'labour nationalisation' is also equated with the term 'workforce nationalisation' (Naithani & Jha, 2009). In KSA, the local labour nationalisation program is called 'Saudisation' (Mashood, Verhoeven, & Chansarkar, 2009).

Background of the Saudisation program

In the past four decades, most GCC states became dependent on expatriates, mainly in the form of cheap Asian labour or western, often qualified, expatriate labour (United Nations, 2007). Reasons for relying on expatriates as a workforce include a higher level of reliability, willingness to work longer hours, acceptance of lower wages compared to nationals, and tolerating poorer working conditions, mainly in tough physical jobs (Henry & Springborg, 2010). Today, an effect of this dependence is that expatriate rates in the total workforce could be as high as 80% (Forstenlechner, 2010).

Hertog (2014) notes that the first attempt to nationalise labour in Saudi Arabia was in the late 1940s; this attempt was one of the first in the region. As the implementation did not work as intended, a new attempt commenced in 1995, with a relative quota for firms with more than 20 employees. Again, implementation failed: the quotas seemed to be unsustainable for most firms and sectors. In 2011, the Saudi Ministry of Labour implemented the 'Nitaqat' labour nationalisation system, which increased the system's flexibility by creating an ad hoc system with various employer category rankings from ‘red’ (being the worst) to ‘yellow’ and ‘green’ to ‘premium’ (being the best). Depending on a firm’s nitaqat category, there are certain advantages or disadvantages, such as a faster issuance of a visa or a transfer of employees between firms. According to the Saudi government, the long-term vision is to achieve a 75% Saudisation quota across all sectors and firms.

With this vision in mind, the Saudisation program is one of the most strictly enforced programs in the region, possibly due to the current political system, but also to one of the highest unemployment rates in the region, despite the fact that Saudi Arabia is still one of the biggest oil exporters in the world (Ramady, 2010).

According to Al-Dosary and Rahman (2005), the Saudi government targets the following goals for the Saudisation program:

- to increase general employment of Saudi nationals across all sectors and industries in the kingdom;
- to reduce dependence on foreign labour and educate and train local labour on skills and knowledge gained from expatriates; and
- to invest in local labour in order to avoid financial flow into foreign markets due to foreign labour.

Reasons for the implementation of a labour nationalisation program

The background of the implementation of the Saudi labour nationalisation program is based on Saudi Arabia’s strong reliance on public sector employment (Hertog, 2014), the social standing attached to certain job types, and a perceived discrimination of Saudi nationals when employed by non-Saudi employers, as outlined in more detail below.

The public sector is one of the biggest employers in all GCC markets (Harry, 2007). Furthermore, the working conditions are often better in public sector organisations compared to private sector firms, especially in terms of salaries, social benefits, and public holidays (Al-Asfour & Khan, 2014; Al-Waqfi & Forstenlechner, 2010).

Many Saudi nationals have the impression that they should not take lower-level and lower-paid jobs, as these jobs do not fit with their social standing, which is still highly important in Arab society (Wiseman, Alromi, & Alshumrani, 2014). Harry (2007, p. 137) states that

> *[…] the private sector has to offer much better wages to attract citizens away from jobs with the government.*

Apart from the employee perspective, nationals also face various problems and discrimination from prospective employers. Hakura (2004) writes about employers' negative perceptions about nationals, mainly in the form of lower productivity and being more expensive while being unpunctual, unskilled, and unmotivated. In addition, Dakhli and Zohairy (2013) cite the poor public education system, low English language skill levels, and low levels of trust as further stereotypes applied to nationals in the GCC.

Enforcement and success

Forstenlechner (2008) noted that GCC governments impose control mechanisms on their expatriate workforces through strict enforcement of visa regulations. In addition, government authorities strictly control firms to ensure that they conform to the program.

Al-Dosary and Rahman (2005, p. 500) argued that Saudisation is strictly enforced by the government *[…] using a quota system or directly banning expatriates from working in certain activities*.

Nevertheless, Looney (2004) specifically mentioned the lack of control mechanisms and enforcements in the program. To further strengthen the labour nationalisation process, the Saudi government has created the 'General Organisation for Technical Education and Vocational Training' to enhance the skills of Saudi nationals and thus their chances for employment in the private sector (Al-Dosary & Rahman, 2005).

Al-Dosary and Rahman (2005, p. 499) stated that, *[…] despite different Saudization efforts, laudable progress has been achieved only in the public sector.* One possible reason for this is the fact that the program has never been fully enforced due to malsupport of officials and the concept of ‘wasta’ (nepotism). Through that, exceptions to the program and its characteristics are allowed too often (Randeree, 2012).

It can be concluded that the success of the program so far is arguable. The main problems are the unavailability of a local workforce with the equivalent skills and willingness to perform at the same standard as the majority of expatriates, and the cultural barriers for local Saudi women who are eager to work (Al-Dosary & Rahman, 2009).

Upcoming updates to the Saudisation system from December 2016 on

According to recent reports (Al-Qahtani, 2016; Arab News, 2016a, 2016c), the existing Saudisation system was updated from December 2016 onwards. Before, the Saudisation of a firm was measured by a quota of the total number of firm employees. Since December 2016 onwards, the Saudi government updated the system and included further qualitative criteria according to Crossley, Al Zughaiby, and Lawrence (2016), such as

> *the overall Saudization percentage, the average salaries of Saudi employees, the percentage of Saudi female employees, the length of service of Saudi employees at the entity; and the percentage of Saudi employees with high salaries and/or holding managerial roles.*

Each of the aforementioned factors is converted into a point system that leads to the currently used Saudisation categories (red to platinum). The aim is to increase Saudisation in the firm while moving away from a pure quantitative measurement into a more qualitative approach that supports Saudi employees. At this time, it is not foreseeable what kind of consequences for German Mittelstand firms this change might have.

2.6.6 Essence of working in Saudi Arabia

Within the KSA, currently approximately one third of inhabitants (10.4 million out of 31.5 million people) are expatriates from all over the world (Estimo, 2016). The vast majority are employed within the low-wage labour market, i.e. as drivers or house maids. However, the further expansion into infrastructure projects and the development from an oil-driven monarchy to a less oil-dependent one is attracting expatriates from all over the world, including Mittelstand firm employees (Ramady, 2010).

Working in the KSA as an expatriate entails various challenges, mainly from the intercultural and social perspective, but also from the legal one. For instance, a highly unique challenge for females is that they are not allowed to drive cars by themselves, despite recent calls from parts of the Saudi society for change. Females' mobility is only possible via a male family member, a personal driver, taxis, or other transport providers (Jamjoom & Smith-Spark, 2013).

Furthermore, if they are not part of the same family or married, males and females are strictly segregated. Offices need to have two different entrances (one for males and one for females), and women need to have their own office and bathroom, which are strictly separated from the male section. Similar rules apply to restaurants (two sections) and shopping malls, which have various sections within their shops: one for single males and one for females and families (Meijer, 2010).

In addition, women need to cover themselves in public. Non-Muslim women officially do not need to wear a face veil, but depending on the circumstances and the environment, doing so might still be useful. Non-negotiable for females in public are so-called 'abayas', which can be best described as dark-coloured over-garments (Ham, Shams, & Madden, 2004).

Strong family ties and a strict interpretation of Islam do exist, not only in private life but also in business. In particular, strict and non-negotiable hierarchies with a leader at the top provide a major contrast to German private and business behaviour. Geert Hofstede's cultural dimensions show major differences in the 'power distance' and 'individualism' sections between Germany and the KSA (M. A. Cassell & Blake, 2012).

Time in private and business life tends to have a different value. Quick and straightforward decisions, which are often made in German headquarters, do not exist in the KSA. On the contrary, as a result of the strict hierarchies, decisions are often escalated to the top and tend to be lengthy to make (al-Seghayer, 2013).

Communication with Saudi employees, colleagues, and partners is less direct than the German communication approach. In particular, criticism needs to be addressed cautiously and face-keeping towards the other team members or partners. Trust between colleagues and superiors and employees needs to be developed over time without breaching the existing hierarchy. In line with the work relationships and the strict hierarchy, decision making within the Saudi Arabian work culture is a management privilege (Forstenlechner, 2010).

Closely linked to a different understanding of time are different cultural, and mainly religious, priorities. The aforementioned religious establishment is still strong and includes business. Strict interpretations of Islam require Muslims to pray five times a day. During working hours, shops and supermarkets close during these prayers. Western-oriented offices tend to continue their business, but strictly practicing Muslims leave their work environments to pray in local prayer rooms or in one of the many nearby mosques. Once a year, Muslims fast for a month (Ramadan) from sunset to dawn. During this period, business working hours are reduced to a maximum of six hours per day as per the Saudi Labour Law. In particular, with temperatures above 50 °C in the summer, Ramadan is a major challenge, as non-Muslims are also not allowed to eat and drink in public. Non-compliance may result in deportation (Commins, 2006).

Within Islam, Friday is the holy day of the week, and religious Muslims tend to attend Friday prayers in the local mosque. The weekend in Saudi Arabia is thus from Friday to Saturday (with a five-day working week), in contrast to the Saturday-Sunday weekend in Europe. As a result, consultation and discussions between the local Saudi entity and the German Mittelstand headquarters can only happen on four working days a week (Monday to Thursday) (Subramanian, 2013).

The religious regulations and rules do not stop when it comes to food, drinks, and drugs: the distribution and consumption of pork, alcohol, and various medications that are legal in Europe and Germany are strictly prohibited in the KSA (Johnson & Sergie, 2014)

In contrast to the Saudi Arabian culture, most expatriates (with or without their accompanying families) do live in segregated residential compounds. These compounds range from only a few houses to little villages with high surrounding walls and security guards at the entrance. Within the western residential compounds, most of the cultural and religious constraints do not exist, and these complexes with different interpretations than the strict cultural and legal environment are tolerated by the Saudi Arabian government. In these compounds, women do not need to cover themselves with their abayas, they can mix with the other gender and, depending on the compound provider, they may even be allowed to drive cars within the compound (Glasze, 2006).

2.7 Conclusion

This chapter on the context of the industry, the Mittelstand, and Saudi Arabia provided insights that serve as a background for the literature review and the empirical study. The chapter presented an overview of the structure of the German machinery industry, and the importance of the MFMTS and more broadly the German Mittelstand as the backbone of the German economy. In addition, details in the form of key figures about the industry's Saudi Arabian engagement were provided. The chapter concluded with details about the KSA as a regional power by providing a general overview and subsequent details regarding the political and legal systems, and the cultural, social, and economic environments. Moreover, because of its relevance, the chapter focused in particular on the local Saudi Arabian labour nationalisation program as well as the essence of working in Saudi Arabia.

The first two out of four objectives presented in section 1.3 were linked to this chapter. Insights about the German Mittelstand, its specifics, and distinctive features, as well information about the KSA were provided (refer to research objectives 1 and 2). Furthermore, secondary research already highlighted the first challenges faced by the Mittelstand in the KSA (refer to research objective 2), i.e. the challenging political system and its bureaucracy, the strict gender separation with a different understanding of hierarchies, and the Saudi Arabian labour nationalisation program that aims to nationalise the economy to become less dependent on expatriates and reduce the high unemployment rate of Saudi Arabian nationals.

3 Literature review

3.1 Introduction

This chapter presents the theoretical foundation of this thesis's empirical study and is structured along the market entry process of the firm, as outlined in Figure 13.

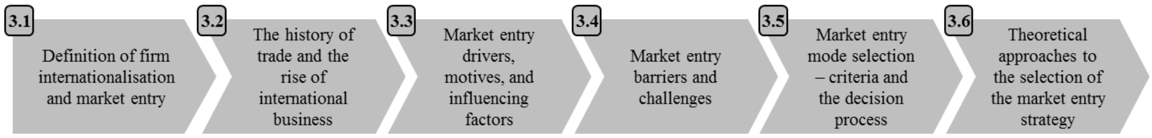


Figure 13: Structure of the literature review chapter

Source: Adapted by the author from Neubert (2013).

After an introduction section, the chapter provides definitions, context, and brief background information related to firm internationalisation and market entry, followed by a section on the history of trade and the rise of international business. Subsequently, the chapter presents and reviews information about the internal and external motives and drivers of market entry, as well as the potential barriers. The chapter then discussed the criteria and the process of selecting the market entry mode, followed by selected theories relating to the characterisation of market entry strategies and criticism of the existing literature. The insights gained feed into the answer to the research question by forming the basis of the research methodology and design chapter. Together, all of the sections within this chapter provide insight into the research areas covered within this thesis, and support the research question and objectives presented in chapter 1.

3.2 Definition of firm internationalisation and market entry

While various parts of the process of internationalisation have been extensively researched, according to Coviello and McAuley (1999) a standard definition of the term 'internationalisation' in relation to firm internationalisation and market entry does not exist. Coviello and McAuley argued that

> *[…] a single, universally accepted definition of the term 'internationalisation' remains elusive […] (p. 224).*

Lehtinen and Penttinen (1999, p. 13) include organisational processes in their internationalisation definition and focus on the human networks involved in the internationalisation process. They contend that

> *Internationalization concerns the relationships between the firm and its international environment, derives its origin from the development and utilization process of the personnel's cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities, primarily inward, outward and cooperative operation.*

Furthermore, Rialp and Rialp (2001, p. 50) argued that

> *business internationalization is a very complex issue to conceptualize, while […] there is not even a general agreement on its definition beyond one indicating the growing involvement of a firm in a variety of operations of international character.*

Several reasons can be cited for the lack of a defined standard, but the general global and multifaceted nature of the research area itself, along with local, regional and cultural differences, are the prime factors. According to Johanson and Vahlne (1977), firms enter markets abroad over time and through organisational development, starting with low-resource and low-risk market entry modes. They further stressed that internationalisation is an incremental process, which increases over time with better market know-how, resulting in a higher market commitment by the firm (Johanson & Vahlne, 1977).

On the other hand, Welch and Luostarinen (1999) did not define firm internationalisation by the incremental steps that the firm takes, but instead focused on the specific firm operations. According to the authors, the external development of the firm is the key factor by which internationalisation can be defined. Contrary to Welch and Luostarinen (1999), Calof and Beamish (1995) emphasised the inner organisational processes, arguing for the need to be adaptive in internationally operating environments, as the internal values, norms, culture, strategy, and resources need to be adapted in order to sustain competitiveness and success in international markets.

Lehtinen and Penttinen (1999, p. 13) included the organisational processes in their definition, but also focused on the human networks involved in the internationalisation process. They contend that:

> *Internationalization concerns the relationships between the firm and its international environment, derives its origin from the development and utilization process of the personnel's cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities, primarily inward, outward and cooperative operation.*

More recent definitions of internationalisation tend to move away from a static process to a more multidimensional, social one (i.e. Lu & Beamish, 2006, p. 28; Zain & Ng, 2006, p. 184). This includes insights generated from the research conducted over recent years as defined by Lindstrand, Melén and Nordman (2011, p. 195):

> *Internationalization is an incremental process because existing foreign market knowledge influences decision making.*

According to Twarowska and Kakol (2013) and Whitelock (2002), the market entry of the firm is a result of the internationalisation process of the firm, while research on the market entry of the firm aims to answer questions related to why firms internationalise and how this is done successfully.

3.3 The history of trade and the rise of international business

International business has a long tradition that has its origins in the ancient Orient, when trade was conducted outside of the home city (Hopkins, 1980). History shows important epochs when international business and trade influenced the public good: in the Middle Ages, the Hanse Towns and cities along trade and business routes in the Netherlands and Spain were responsible for the expansion of trade to new markets and continents (Williams, 1929). Later, colonisation (Ward, 2009) and the initial phases of the Industrial Revolution changed lives and the way business was conducted (Findlay & O'Rourke, 2007).

In the following, international business developments from the 20th century onward will be the major focus.

The 20th century, the GATT, and the rise of the WTO

World War I generated a shift among the global economic powers. The years after the war are still known as the 'Great Depression', when global trade decreased due to the political situation and various nationalisation efforts (Almunia, Benetrix, Eichengreen, O'Rourke, & Rua, 2010). The years between the wars were closely linked to deprivations in many areas of the world (Krugman, Cooper, & Srinivasan, 1995), but after World War II the world trade volume increased again.

Plans for a global trade organisation existed after World War II, but they did not become reality. Instead, 23 members signed the General Agreement on Tariffs and Trade (GATT) in 1947 to reduce national trade barriers and tariffs and to increase trade between its members. The United Kingdom (UK) was one of the founding organisations, and Germany signed the agreement in 1951. The member states reduced several existing trade barriers and tariffs (Irwin, 1995; K. Jones, 2015). The founding members outlined the foundation of the World Trade Organisation (WTO) in 1994, and at present it is integrated as an important part of the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS; Bronckers, 2001).

Regional Trade Agreements and Trade Blocks

The WTO aims for the global liberalisation of trade, but also supports regional trade agreements, such as the 1992 European Maastricht Treaty and the foundation in 1994 of the North American Free Trade Agreement (NAFTA; Milner, 1995). Together with the Association of Southeast Asian Nations (ASEAN), the EU and NAFTA regions form the most important economic areas, while other countries have followed these examples and founded their own regional trade blocks, such as the Mercado Común del Sur (MERCOSUR) in South America, and the South African Development Community (SADC). Countries that are part of a regional trade block aim to further reduce economic and legal barriers in order to enhance free trade, and in this way increase the internationalisation and market entry of firms within their regional block (K. Jones, 2015).

The WTO Today

Today the WTO is the overarching organisation for the GATT, GATS, and TRIPS contracts, and aims to realise liberal, global free trade with a focus on the privatisation of state businesses. Furthermore, the WTO is responsible for dispute settlement between its members and coordinates operations with other global organisations such as the World Bank and the International Monetary Fund (IMF; Baldwin, Kawai, & Wignaraja, 2014; K. Jones, 2015).

In 2013, the WTO members agreed on a new global agreement (the so-called 'Bali Trade Facilitation Agreement') with further reductions to trade barriers and additional support for traditionally poor countries. In July 2014, India decided not to sign the agreement, based on restrictions to subsidise large parts of the Indian economy. The Bali Trade Facilitation Agreement is now officially cancelled, as all WTO agreements needed to be accepted by all WTO members within a certain timeline (Ayres, 2014).

3.4 Market entry drivers, motives, and influencing factors

Research on what influences the market entry of a firm has been undertaken since the emergence of international business research (Carstairs & Welch, 1982; Reid, 1983; Wolf, 1977). In the following section (refer to Figure 14), influencing factors are outlined from an external, environmental perspective and from an internal, organisational and managerial perspective (Choi, 2010).

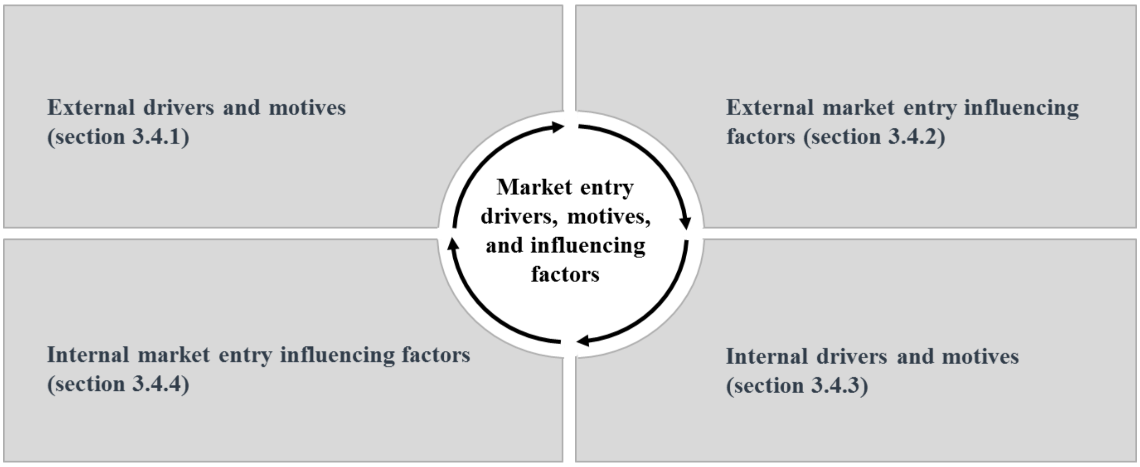


Figure 14: Structure of the market entry drivers, motives, and influencing factors section

Source: Constructed by the author.

3.4.1 External drivers and motives

Deregulation, economic agreements, and privatisation

The motives and reasons for worldwide globalisation are closely linked to the historical development of international trade and the emergence of various political and economic streams over the centuries (Crafts, 2000).

According to Moshirian (2008), one major trend favouring worldwide globalisation has been the declining regulations for international trade. In particular, the removal of trade barriers has helped to decrease the transaction costs of goods and services that were formerly government regulated and protected (Jacks, Meissner, & Novy, 2010). Governments have tried to decrease the tariff barriers and at the same time increase non-tariff barriers as compensatory measures. Nevertheless, the trend towards a reduction of government regulations in the so-called ‘Western World’, including Germany, cannot be stopped (Meseguer & Escriba- Folch, 2011). With its export-based economy, Germany benefits from these barrier reductions; this can be seen in the German Foreign Trade Balance, which shows a strong surplus in exports (German Federal Statistical Office, 2016a). On the other hand, while Saudi Arabia has not fully deregulated its markets and industries, the first steps have been taken, especially in the telecommunication and construction industries (Oxford Business Group, 2013).

Closely related to the reduction of government regulations is the privatisation of formerly government-owned organisations, with a focus on the IT, telecommunication, and energy industries and sectors. Not only is the privatisation of these key industries and sectors important, but it affords the option to establish a firm in one of the abovementioned industries and sectors abroad, which increases competition and at the same increases international business and trade in formerly protected industries and sectors (Bjørnskov & Potrafke, 2011). Former government-owned organisations in Germany, such as the post and telecommunication systems, are now in the hands of private investors, while the government is still a shareholder (Klump, 2011). In Saudi Arabia, deregulation and privatisation are still in their infancy, and began with the opening of additional telecommunication networks and licenses (Oxford Business Group, 2013).

Over the past few decades, a trend has emerged towards increasing freedom in money and capital streams. Included in this is the reduction in foreign exchange controls, which has helped to import and export goods between countries, and to promote international business in general. For example, a subsidiary abroad could transfer money and profits to the host organisation without government regulations that aim to impose a tariff on the capital (Hellwig & Samuels, 2007). As a member of the European Economic and Monetary Union, Germany's latest reduction in financial barriers took place in 2014 with the introduction of the Single European Payment Area (SEPA), which reduces barriers and transfer fees within the 33 member countries to the limitations and costs of a national bank transfer (Schmiedel, 2007). The GCC countries do have plans for an economic and monetary union, but have not been able to keep up with their ambitious implementation plans due to different views on closer integration and the political differences between the member states (Sabet, 2012).

The increased deregulation supported deeper integration and cooperation between firms from different countries. This cooperation was often organised by the government on a country-to-country level and resulted in the formation of preferential or association agreements, which were linked to certain industries, sectors, or even to the entire economies of the parties involved (Ahearn, 2012). However over the last few years, there has been an increasing focus on regional agreements and their expansion, such as in the case of the EU or the planned GCC union (Sabet, 2012).

Furthermore, the movement from former planned economies, such as in Eastern Europe or Asia to Capitalistic systems, created new opportunities for firms to expand their business operations and markets to new and previously unreachable markets, while at the same time new competitors arose from the transformed countries. Some of those previously economically and politically restricted countries are now highly flexible and open markets that transformed rapidly and successfully within decades (Smith & Swain, 2010). Furthermore, various EMs transformed and adjusted their economic models in order to actively participate in the global world market (Sheth, 2011). This step was of major importance for Germany, as the former Eastern Germany was part of the Soviet system and had to transform and adapt quickly to new economic and social rules.

Technology, infrastructure, and standardisation

Technological progress and investments into infrastructure have also fuelled globalisation. Infrastructure investments, starting with roads and railroad tracks and leading to international airport hubs and globally linked ports, have made market development easier and, at the same time, decreased the transportation costs for the firms, thus making it profitable to produce goods abroad and transfer and sell them in another market (Woodburn, Allen, Browne, & Leonardi, 2008). According to the Global Competitiveness Report, Germany's infrastructure is ranked third (out of 148 countries), and the report specifically mentions the quality of the infrastructure network. At the same time, the report provides options for improvement for Saudi Arabia, which ranks 20th in the same report (Schwab, 2013).

Closely related to this, improvements in information and communication technology (ICT) have changed former business behaviours, as communication now to almost all places on Earth can be established within a short time period and with low financial budgets (Castells, 2010; Lituchy & Rail, 2000). Germany is ranked 15th (out of 148 countries) in global ICT, according to the Global Information Technology Report 2016, which leaves space for improvement (Bilbao-Osorio, Dutta, & Lanvin, 2016). The

German government favours and aims to improve ICT as, according to the German Federal Ministry of Education and Research, technology strengthens innovation and growth. Part of the government's plan is a program to further support the sectors related to ICT, with a particular focus on SMEs (German Federal Ministry of Education and Research, 2016). Saudi Arabia, on the other hand, is ranked 33rd in the aforementioned Global Information Technology Report, with a particular lack of ICT business usage; the lack of necessary skills within the country and a partial lack of infrastructure are seen as impediments.

As a result of the closer linkage of people, goods, and services, standardisation and normalisation have become important, as complexity and costs would increase without it (de Vries, 2006).

3.4.2 External market entry influencing factors

He (2011) investigated the market entry of a Chinese SME and found that a solid financial basis is required to internationalise, as high investments are necessary, especially at the beginning of the international activities. He (2011) suggested internationalising in stable economic times and avoiding doing so during an economic crisis, as gaining support from banks for the market entry might become problematic. Furthermore, He (2011) suggested that external influencing factors fall into the categories of solid host government support (the government supports the attraction of foreign firms); good infrastructure in the host market; and a close cultural and psychic distance. Finally, He (2011) suggested starting to enter abroad in markets that have a closely related cultural system before moving into markets with a greater cultural distance to the home market. The Saudi Arabian General Investment Authority, which was founded in 2000, is the responsible body of the KSA government for the inflow of FDI. It lists its targets as the reduction of investment barriers; government support of private businesses; and supporting the building of an excellent infrastructure (Cowling & White, 2014; Reuters, 2015; Saudi Arabian General Investment Authority, 2015).

The research conducted on the market entry of service firms by Moreira, Maia, Sousa, and Meneses (2013) raised a point about the perceived risk of a market entry due to possible protectionism in the foreign market. Furthermore, the authors found that strong competition in the home market favours a market entry abroad. While this process can be expensive, the returns abroad, on average, are higher than those in the home market.

Roy and Oliver (2009) examined the impact of the host country's legal environment in terms of international joint ventures, and noted that the importance of a well-considered legal background in the host country is one of the most important external influencing factors of a market entry. According to the authors, a relationship between the partnering success of a joint venture, further costs and investments required by the firm, and intense legal environmental research before internationalising exists. Hu, Ma, and Zen (2012) examined the relationship between the host country's environment and Chinese firms entering markets abroad using an FDI market entry mode, and they also found that the legal and cultural environments of the host country play an important role in the decision to internationalise. According to the World Investment Report 2016 (United Nations Conference on Trade and Development, 2016), the KSA has made major progress over the last few years in providing a more stable legal framework for investments. According to the report, this is strongly related to the country's membership in the WTO since 2005 (World Trade Organisation, 2017b), which resulted in a reduction of tariffs and an increase in acceptance of multinational standards and agreements.

According to Cho, Moon, and Kim (2009), the presence of support-related industries along the supply chain can be seen as environmental influencing factors in the market entry decision. In addition, an available local workforce in the target market, with the necessary education and training level, can support the decision to internationalise. The better the education level fits the desired work, the better this is for the market entry of the firm, as finding the right personnel can be seen as a key objective of every firm (Dachs et al., 2010).

Finally, the better the target country is integrated in terms of international relations, politics, contacts, and memberships in international organisations, the better the outcome is for the home firm. The firm can be more assured that the risk of sudden changes in important political and economic fields in the target country is lower compared to nonintegrated countries. Consequently, the risk for the business owners is also lowered (Marinova, 2015). The KSA is embedded within the international community, mainly through its links to various UN (sub-)organisations, but also through its membership in the IMF and the WTO, among others (Central Intelligence Agency, 2016a).

The above external influencing factors are in line with the research conducted by Morschett et al. (2010). They reviewed previous market entry mode research and tried to quantitatively examine the generic external influencing themes and factors of a market entry. While these factors might not all apply to every single firm that wishes to internationalise, the authors found that there are five broader external themes that influence market entry: the cultural distance between the home and the foreign market; the foreign market's attractiveness; the uncertainty of the host country environment; the legal environment of the host country; and the culture of the home country.

3.4.3 Internal drivers and motives

Apart from the global and international motives for a market entry, internal organisational reasons may exist for a specific firm's intention to enter markets abroad. Due to the nature of the topic, the following section cannot be exhaustive, but it provides further details on motives and reasons published in the OECD report by Lloyd-Reason et al. (2009) about the top internal barriers and drivers to SME market entry.

Fliess and Busquets (2006) suggested that internationalising may be related to restricted access to goods and services in the home market. This might be the case if niche products, services, or a certain know-how is or are simply not available (Chung & Yeaple, 2008). Furthermore, the product or service might be available in the home market, but with higher costs for procurement, so that entering a country that has lower overall costs might be useful (Rammer & Schmiele, 2008). The latter might be useful in the Saudi Arabian context once large amounts of natural resources are required, i.e. for a production facility. According to the Saudi Geological Survey (2016), Saudi Arabia has large amounts of natural resources, such as gold, copper, and aluminium as well as phosphate, silica sand, and other non-metallic resources.

Quality differences could also exist, so that a long-term planned market entry might make sense in order to receive goods and services of higher or lower quality and thus lower or raise costs (Cavusgil & Nevin, 1981). Risk diversification as a motive might be necessary in order to stay independent as a firm and gain products and services within a certain price and quality range (Hitt, Tihanyi, Miller, & Connelly, 2006).

A market entry might also be an outpost for the firm to find suitable human talent for the home firm, which could be the case in industries and sectors where demand for highly qualified personnel is higher than supply (Clarke, Tamaschke, & Liesch, 2013; Preece, Iles, & Jones, 2013). Related to access to qualified personnel, access to know-how and new technologies may be strong importing motives, as the firm cannot develop certain technologies due to organisational limitations or environmental restrictions (Lloyd-Reason et al., 2009).

Another motive to internationalise may be strict domestic laws and regulations that hinder the firm in conducting business or even prohibit certain parts of the business. This could become even more problematic if the international competition does not face similar issues (Onkelinx & Sleuwaegen, 2008).

Production capacity is always a crucial factor, particularly in the manufacturing industry. Once domestic production capacity is reached, options may exist to add additional production capacity abroad. If no wholly owned production facility is required, other options (such as joint ventures or contract manufacturing) also exist (Hijzen, Jean, & Mayer, 2011).

Access to capital is crucial for firms, especially SMEs. While the majority of German Mittelstand firms rely on traditional forms of financing, such as their traditional banking partners or family shareholders (Hommel & Schneider, 2003), access to capital abroad, with better conditions, cannot be excluded from the list of motives (Lloyd-Reason et al., 2009).

Reasons for internationalising could also be related to exporting motivations, one of which could be to gain higher profits if the home market is saturated or has a high level of competition due to intense rivalry (Lloyd-Reason et al., 2009). Thus, an expansion due to financial reasons is related to a risk diversification strategy by balancing out the distribution over more than one market (Liesch, Welch, & Buckley, 2011; Lloyd-Reason et al., 2009).

In the manufacturing industry, increased production capacities that could be used for new customers in new markets may be available (DHL, 2013; Olivier, Parola, Slack, & Wang, 2007). Even if increased capacities in production are not available, internationalising might be useful from an organisational perspective as economies of scale may be achieved and initial market entry investments may be overcome over time with an increase in production (Panzar & Willig, 1977).

The same applies to the concept of economies of scope. While economies of scale target the reduction of the average price for one product, economies of scope target the reduction of the average price for more than one product. As firms may have two or more products that they try to sell, a market entry might be useful from that perspective as economies of scope may be available along the organisational chain, from research and development (R&D) and production through to the sales and marketing functions (Dachs et al., 2010; Wiersema & Bowen, 2011).

Economies of scale may also be motives for a market entry. Larger markets, which can be served through a market entry, result in scale effects as the firm becomes more productive. This does not only apply to the firm’s financial perspective, but may also provide rich insights for R&D by enhancing the products or services offered to be more appealing to customers (A. Bell & van der Scheer, 2013).

Learning experiences are closely related to a better understanding of customer requests. The more the firm enters markets abroad, the more it learns about its own firm and about foreign competitors who behave differently compared to the organisational culture and knowledge experienced at home (A. Bell & van der Scheer, 2013).

Depending on the product offered, requests from potential customers abroad may also be a reason to enter a new market. This might be the case once private customer requests reach a certain level and a better direct contact and understanding of the market is required (Hegge, 2002), but might also occur with business customers, e.g. in the case of R&D (Maftei, 2007).

In addition, financial reasons could be an explanation for a market entry: currency effects might favour a market entry abroad as goods from the home market may become cheaper for the foreign market and thus more attractive to a broader customer base (Pieray, 1978). The Saudi Arabian Riyal is pegged to the US Dollar with a fixed exchange rate of 3.75 to 1 (Arab News, 2016b). For German Mittelstand firms selling their ‘Made in Germany’ products, which are Euro priced, this can have positive or negative impacts, depending on the Euro/US Dollar exchange rate.

Competitors might increase the need for entries abroad by forcing a firm to react and expand (Rammer & Schmiele, 2008). Subsidies or tax reductions from the target country might favour entries abroad as well, as investment costs may decrease if the foreign government takes over some of the financial burdens (Bannò & Sgobbi, 2010; Freixanet, 2012). Through its investment authority, the KSA offers foreign investors various investment incentives. Among others, there are no personal income taxes, company profits are taxed with a lump sum of 20%, and company losses can be transferred to the future (Saudi Arabian General Investment Authority, 2016).

From a broader perspective, the corporate image and the product/brand image could be seen as internal drivers for a market entry abroad. To be successful in the market, global networks may require a global brand presence for customers, competitors, politicians, or investors. However, this global image cannot be achieved without entering markets abroad and changing the organisational culture to a more global one (Törnroos, 2000).

Business relationships with clients and partners, as well as a proper market understanding, often require time and endurance. As a result, another motive for entering markets abroad can be a desire to position the firm in future emerging markets by initially establishing business contacts and slowly developing the business expansion. According to Ojala (2009), this is particularly the case in knowledge-intensive SMEs where complex products or services need to be marketed.

3.4.4 Internal market entry influencing factors

In a similar way to the external influencing factors, the internal influencing factors vary by organisational type, key management staff, home and the foreign market, and the sector and industry in which the firm is active (Andersson, Gabrielsson, & Wictor, 2004).

Bell, Crick, and Young (2004) examined 'traditional' SME manufacturing firms in the UK and the link between a firm's business strategy and its market entry efforts. Their results showed that a strong link exists between product and market development on the one hand, and strategic, international orientation and direction on the other. According to J. Bell et al. (2004), the manufactured product itself has one of the highest internal influences on the market entry decision, as it decides the (international) customer base and the possible need for it abroad.

Graves and Thomas (2008) focused on the market entry approaches and determinants of family firms and found that the level of commitment to a market entry, the availability of funds, and the appropriate organisational structure for an expansion abroad are the key internal factors that drive market entry.

Chandra, Styles, & Wilkinson (2009) examined the specifics of first time international entrepreneurial opportunities and highlighted the influence of an organisation's key management as key influencing factors for a market entry, in particular previous international experience and insights. Additionally, the right team with the necessary skills and knowledge as well as innovation in the brand and its products are key internal influencing factors. Furthermore, networking within and outside the organisation, as well as the firm's previous experience, are crucial for the success of a market entry (J. Bell et al., 2004; Loane, Bell, & McNaughton, 2007; Tolstoy, 2010).

While the key management staff might benefit the market entry of the firm through their distinct education, experience, knowledge, and networking capabilities, they might also hinder the organisational development: an excessive public lifestyle, negative publicity, or even problems related to their own family may have a remarkable influence on the firm and its expansion efforts. In their research into Spanish SMEs, Fernández and Nieto (2005) found that these may be crucial factors in manager- and family-owned SMEs.

Based on their empirical study in Italy, Cerrato and Piva (2012) stated that a negative relationship exists between family influence and the market entry of a SME, mainly due to key management staff having a high level of involvement in operational decisions.

Martineau and Pastoriza (2016) found that firm size, potential competitive advantages, and technological orientation are key influencing factors for a market entry. According to the authors, managers should have a high level of education, speak various foreign languages, have an understanding of costs, and be committed to market entry projects.

While the abovementioned studies all have their limitations and vary in the scope of their research, certain trends regarding internal influencing factors for a market entry can be seen: the size of the firm as well as organisational and financial capabilities are major variables. The studies also mentioned the firm's previous experience abroad, combined with a commitment to a market entry, innovation, and a positive technological orientation as well as the right products and brands, including potential competitive advantages. According to these studies, managers in the firm must be well educated, speak various languages, have previous experience abroad and in the industry, and be open to innovations and networking in addition to their previous organisational and industry knowledge.

3.5 Market entry barriers and challenges

Karakaya (2002, p. 1) defined market entry barriers closely related to the organisational perspective as:

> *[...] limit[ing] competition by preventing market entry of new firms and often increas[ing] the profits of incumbent firms in the market place.*

Despite the fact that regional trade blocks and economic unions are on the rise, barriers to market entry still exist, and thus, barriers to market entry have been, and still are, a highly popular research field (Dreher & Gassebner, 2013; Hochberg, Ljungqvist, & Lu, 2010; Niu, Dong, & Chen, 2012).

According to Shepherd and Shepherd (2003, p. 191), a distinction can be made between exogenous and endogenous barriers to market entry (refer to Figure 15). According to the authors, exogenous barriers are:

> *'[…] embedded in the underlying conditions of the market: technology, nature of the products, need for large-scale capital, and vertical integration, for example.'*

On the other hand, they defined endogenous market entry barriers as:

> *'[…] much more complicated, subtle, and sophisticated. They are within the dominant firm's own discretion; they are done strictly voluntarily. The firm can create barriers simply by choosing to take […] actions against an entrant.'*

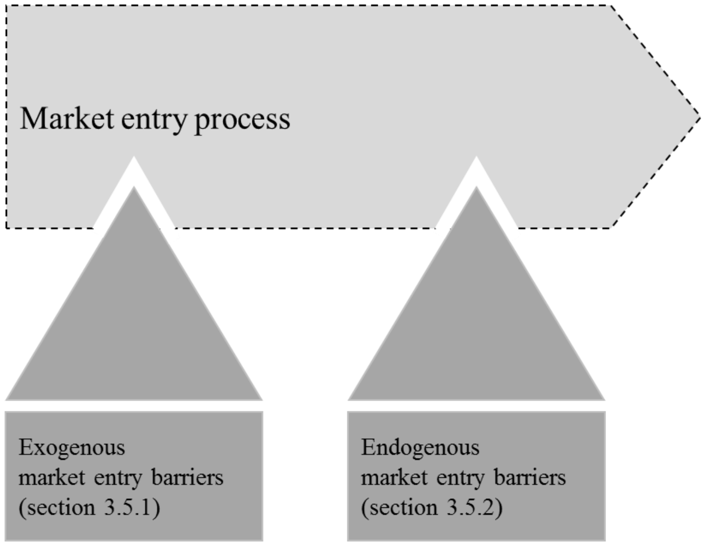


Figure 15: Structure of the market entry barrier section

Source: Constructed by the author.

Pehrsson (2009) reviewed the literature related to barriers to entry and market strategy of firms and found that exogenous and endogenous barriers to entry influence the success of a market entry. The upcoming sections will discuss the exogenous and endogenous barriers within the context of this study in detail.

3.5.1 Exogenous barriers

McAfee, Mialon, and Williams (2004) showed that incumbent firms often have cost advantages, which may be either absolute or variable. Incumbent firms are already established in the market, have possibly adapted their business model to the usual business behaviour in the market, and used the local know-how gained to convert it into cost advantages.

Part of local adaptation is to tailor the products or services offered to the market needs. This product differentiation could be an adaptation to local expectations, rules, or laws that might change complete systems or machinery to comply with the host market's local rules (Lloyd-Reason et al., 2009). The incumbent firms' marketing and branding could be seen as an exogenous barrier, as they have previous experience with the marketing and branding regulations, customer choices, and preferences (Hallbäck & Gabrielsson, 2013; Olejnik & Swoboda, 2012).

Also important are the establishment costs in the host country. In the early phases of foundation, investment is necessary while no profits can yet be achieved. Financing the establishment is a major issue, especially if the local host country's laws have special requirements that need to be fully complied with, such as organisational audits or business licences, which may involve major costs. Furthermore, raising the necessary infrastructure and establishing a network represent additional costs that are an important barrier (Dunne, Klimek, Roberts, & Xu, 2013).

Closely related to the establishment costs are government policy barriers. Depending on the position of the local government and its view on foreign investments, these might be tremendous barriers. For example, the government could regulate the maximum amount of shareholding rights in a joint venture, could ask for the fulfilment of local content regulations, or could simply delay the approval process for licenses and authorisations in the form of bureaucratic behaviour (Niu et al., 2012).

In countries with monopolistic behaviour in certain industries and sectors, access to distribution systems and channels might be problematic due to exclusive agreements. This might force a firm that establishes operations abroad to start its own distribution channel, which again incurs investment and establishment costs while the local know-how about the market and customers is still limited (Lafontaine & Slade, 2008).

The local competitors might also have superior products or services, which could result in high customer switching costs, as the consumers do not see the need for new products or services since they are satisfied with their current status (Parnell, 2006). Furthermore, the general market situation might principally be a market entry barrier due to cultural differences, complexities related to another language, and business and management behaviour that could be non-transparent and difficult to assess (López-Duarte & Vidal-Suárez, 2010).

3.5.2 Endogenous barriers

Once the decision is made to establish a firm or a distribution channel, the establishing firm should be aware that local incumbents might react to the decision in various ways. As previously stated, the establishing firms may be able to respond to these barriers, but they must be fully aware of the possible reactions.

Incumbents might react with increased marketing and branding activities. This could raise the awareness of the incumbents' products or services among already existing customers and potential new customers, with the advantage that the incumbent firms already have an existing customer base and knowledge of local expectations and sought-after products and services (Bagwell, 2007).

The next level could be special sales promotions for special products and services by the incumbent firms, which could lead to general price competition (OECD, 2007). Particularly in the early beginnings of the organisational activities, this – depending on the level of competition and the reactions – could be disastrous, as investment and establishment costs are still existent in early business operations (Kox, 2013).

Incumbent reactions could also take other forms, depending on the environment and competition: exclusive networks may engage in whisper campaigns, legal disputes, bribery, and corruption of government officials (Rodriguez, Uhlenbruck, & Eden, 2005), and may be a barrier to entry that is difficult to overcome, especially for SMEs due to their restricted access to resources.

3.6 Market entry mode selection – criteria and the decision process

The decision regarding how to internationalise and the type of market entry mode is of major importance to firms intending to enter markets abroad. As this step is of major importance for the future of the firm and potential future performance, a proper selection of suitable market entry modes and a final decision must be made (Brouthers & Hennart, 2007; Ekeledo & Sivakumar, 2004). Mencarini (2003) found that most SMEs tend to ignore this important step, and the majority reacted passively instead of taking the lead. According to the author, reasons for this included a lack of resources and risk awareness, but more often it is the need to join forces with partners, such as importers or local distributors. While this may have advantages, external partners should not make the important and strategic decisions of the firm.

Due to this, more and more firms, including SMEs, have their own structured market entry mode selection criteria and processes in place to guide them in the final decision (Neubert, 2013). Options for finding a suitable market entry mode for a specific country are diverse: various theoretical approaches to the selection of the market entry strategy attempt to explain the market entry selection process, including the resource-based theory, Dunning’s eclectic paradigm, and the institutional theory. Nakos and Brouthers (2002) claimed that SMEs often do not follow these theories and structures, but tend to prioritise their influencing factors more flexibly and with emphasis on other factors compared to MNEs, for which the aforementioned theories were designed.

The following section will present criteria that may influence SMEs’ market entry mode selection; this will then be followed by a section on selected market entry mode selection models.

3.6.1 Criteria for the market entry mode selection

Koch (2001) suggested that market entry mode selection is based on various criteria. A distinction can be made between internal (organisational) criteria, external (environmental) criteria, and mixed criteria (criteria that have influences from both internal and external criteria). The following section will follow this structure.

3.6.1.1 Internal, organisational influencing criteria

First, the size of the firm matters and is closely related to the resources that are available for internationalisation. While MNEs often have the right resources (in the form of finance, know-how, and networks), this might be completely different for an SME, which does not have the same resources as an MNE (Ekeledo & Sivakumar, 2004). Furthermore, previous market entry and modes might influence the market entry decision. Research shows that there is a tendency for firms to re-use certain market entry modes that have been successfully used in a previous market entry. Alternatively, negative experiences might also influence the decision, as certain market entry modes might be excluded due to previous experience. The decision is often closely related to the level of risk and control that the firm tends to bring in (Blomstermo, Sharma, & Sallis, 2006; Dow & Larimo, 2009).

In this vein, Blomstermo et al. (2006) and Ekeledo and Sivakumar (2004) divided market entry modes in their articles into those that give the home firm a high level of control over its foreign firm (for example, wholly owned subsidiaries or joint ventures where the home firm is the majority shareholder), or low control (which is normally the case when exporting or licensing is used as a market entry mode). On the other hand, when applying risk over control as a variable, the picture changes completely from the perspective of the home firm.

In addition, management locus of control is also a major influencing factor. The firm’s previous experiences with other market entry, experiences obtained from previous employers, and the (international) education and possible personal experiences in the market can all play an important role (Canabal & White, 2008; Nakos & Brouthers, 2002).

The aims and targets for the new firm abroad are strongly related to the selection of the right market entry mode for the market entry decision. If a rapid expansion is the aim of the home firm, certain market entry modes may be favoured over others (and vice versa).

The same applies to the financial targets of the new firm. Depending on the proposed business plan, certain market entry modes might be favoured while others are not, for instance due to a lack of control or too high a risk (G. K. Lee & Lieberman, 2010).

Finally, the decision for or against a certain market entry mode is also strongly related to the calculation method applied to it, and closely related to the management attitudes mentioned previously. Depending on the methods and the variables used, certain market entry modes might be favoured over another, while an opposite conclusion might be the result of a different calculation method or simply of adjustments within the variables (Brouthers & Brouthers, 2003; Nielsen & Nielsen, 2011).

3.6.1.2 External, environmental influencing criteria

The host market environment plays an important role in the external criteria for the selection of a market entry mode. Parts of the overall host market environment are the political, economic, social, technological, environmental, and legal variables that need to be carefully considered. A stable political environment might positively influence the economic and social environments, while, conversely, an unstable social environment could show its relatedness in a turmoil that could be reflected in political variables changing, which again could affect other variables (Morschett et al., 2010; Rasheed, 2005).

Most firms tend to enter markets abroad with the aim of growing as a firm. The host market growth rate is important to consider as an economic variable. Again, variations exist: one might consider the current market growth rate, the historic market growth rate, or the future expected growth rate, while, with the latter, a certain degree of prediction and forecasting risk should be included (Kwon & Konopa, 1993; Rasheed, 2005).

The foreign host government might also put up restrictions and/or barriers for certain industries, sectors, or foreign firms in general to not allow certain market entry modes or favour certain market entry modes. For example, in the KSA, wholly owned subsidiaries are not allowed without the approval of the respective ministry and the participation of a local Saudi partner, which then changes the market entry mode to a joint venture (International Business Publications, 2016).

Competitors and firms in the supply chain might already be active in the target market. The market entry mode might be influenced by considering the popularity of certain market entry modes in the industry or sector abroad. Other firms, potentially with more local know-how, may have already internationalised and made their experiences with the host market known, which could help and support finding the right market entry mode for the firm (Musso & Francioni, 2009).

3.6.1.3 Mixed external and internal criteria

Certain criteria cannot be defined as purely internal or external. Some are linked to both forms, such as necessary skills and competencies for a certain market entry mode. The decision to favour a certain market entry mode might be influenced by whether or not certain conditions and competitors exist. This might be whether access to certain local know-how is available in the form of finding the right staff for the new establishment in the host market, which could be a problem depending on the firm. On the other hand, certain competencies might not be available to the firm that would like to expand internationally (Clarke et al., 2013; Delios, 2011; Herrmann & Datta, 2006).

Another factor and criterion that become increasingly important are access to and reliability of information, especially related to the host country environment with its sub-factors. While information about the host country environment might be available for most mature markets, finding reliable and correct information about certain foreign markets and its influencing factors might not be achievable without the right internal, organisational, and external sources (Fletcher & Harris, 2012; Speckbacher, Neumann, & Hoffmann, 2015).

3.6.2 Approaches to select the market entry mode

3.6.2.1 Root's decision-making process model

In his decision-making process model, Root (1994) stated that no human pre-selection in terms of suitable market entry modes should be applied without reliable data and information as a background. He argued for his own model, which incorporated three criteria: availability of organisational resources, risk, and non-profit objectives.

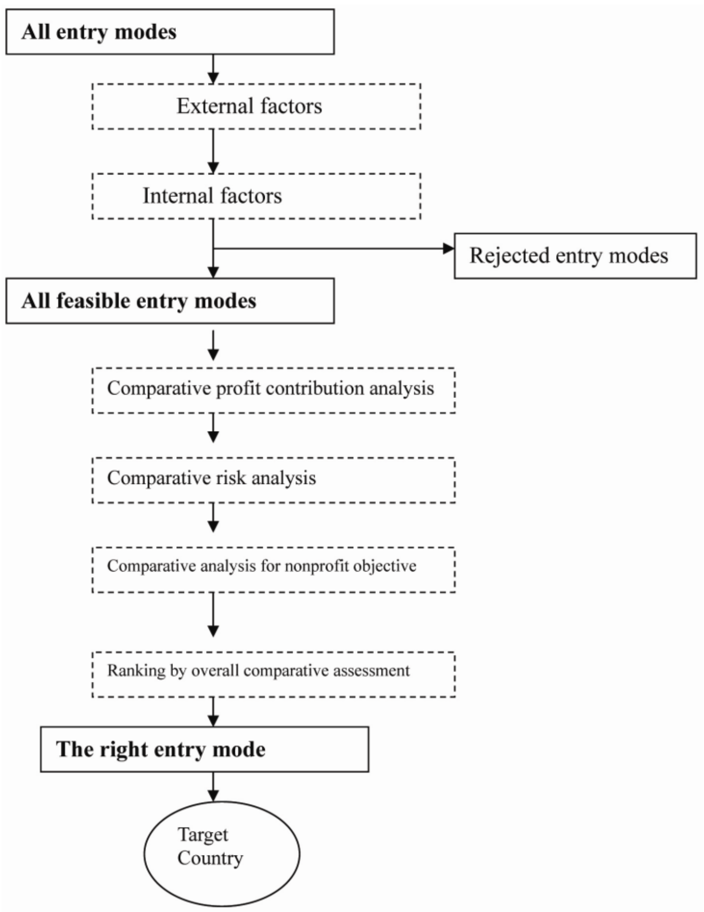


Figure 16: Root's decision-making process model

Source: Quan (2012, p. 80).

Root proposed that all available market entry modes should be checked against external and then internal criteria. Market entry modes that are not feasible against those criteria should be rejected while the remaining modes should be compared against a comparative profit contribution analysis, a comparative risk analysis, a comparative analysis of non-profit objectives, and a ranking of the overall comparative assessment. The market entry mode that finally ranks highest should be used.

While this procedure has a structured, transparent, and rational format, it has certain disadvantages: as previously outlined, mixed criteria are not included while, according to Quan (2012), all criteria and factors within this model have the same weighting. While this reduces the complexity and makes organisational decisions (in contrast to other decisions) transparent, it denies the fact that all criteria and factors are not weighted in the same way (Quan, 2012). Furthermore, the model proposed by Root (1994) is time and resource intensive, which might make it unsuitable for SMEs that normally lack both time and the resources (Quan, 2012).

3.6.2.2 Pan and Tse's hierarchical mode selection

Pan and Tse (2000) argued for less complexity in the decision-making process. They reviewed market entry into China and proposed the application of a step-wise (or hierarchical) approach (refer to Figure 17).

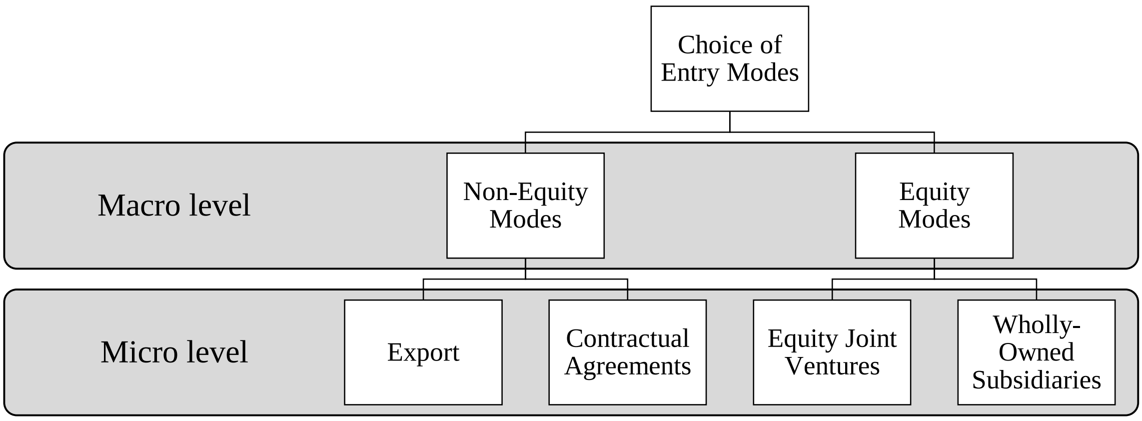


Figure 17: Choice of market entry mode by Pan and Tse

Source: Adapted by the author from Pan and Tse (2000, p. 538).

According to Pan and Tse (2000), the firm should first decide whether to use an equity or a non-equity mode because the macro environment is the major influencing criterion at this stage. Once a decision has been made, other factors (such as micro factors and industry factors) should be applied and, depending on the first stage, a joint venture or a wholly owned factory (equity mode), or an exporting or contractual agreement (non-equity mode) should be used.

However, the fact that no information about the sample firms was provided by the authors is problematic and could make the model unusable for SMEs. In addition, the authors excluded some prominent market entry modes (such as licensing or franchising), which might be related to the study's strict focus on China. Furthermore, the model did not provide any indication of how the decisions for applying stages 1 and 2 were made by the decision-makers in the firms that were studied.

3.7 Theoretical approaches to the selection of the market entry strategy

This section will present a critical and systematic review of various theoretical approaches to the selection of the market strategy in line with an initial literature review conducted on the major theoretical concepts, approaches, and theories. In general, six theoretical concepts were critically reviewed by the author: The Transaction cost theory, the Eclectic paradigm, the Resource-based theory, the Staged approaches, the Network view and the Institutional theory.

In their literature reviews, Whitelock (2002), Törnroos (2000), Rask, Strandskov, and Håkonsson (2008), and Oliveira and Teixeira (2011) have found the Resource-based theory and the Network view to be in particular applicable to manufacturing SMEs that enter markets abroad (refer to Table 2). They shall be presented in further detail as part of the upcoming section.

Concept/ model	**Resource-based theory**	**Network view**
Approach	Economic approach	Network approach
Key authors within the context of this thesis	Barney (1991), Ruzzier, Hisrich, et al. (2006), Sirmon et al. (2007), Barney, Ketchen, Wright, Barney, et al. (2011), Barney, Ketchen, Wright, Wan, et al. (2011), and Kozlenkova, Samaha, & Palmatier (2014).	Hertz (1993), Coviello and Munro (1997), Coviello and McAuley (1999), Lu and Beamish (2001), Bernal, Burr, and Johnsen (2002), Hadley and Wilson (2003), Johanson and Vahlne (2003), Fuller-Love and Thomas (2004), Freeman, Edwards, and Schroder (2006), Manolova, Manev, and Gyoshev (2010), Hénard, Diamond, and Roseveare (2012), Ciravegna, Lopez, & Kundu (2014), and Hohenthal, Johanson, & Johanson (2014).
Applicability to manufacturing SMEs	yes	yes
Applicability to German 'Mittelstand' firms in the MFMTS	unknown	unknown

Table 2: Overview and classification of theoretical concepts

Source: Adapted by the author from Whitelock (2002, p. 346), Törnroos (2000, pp. 16–17), Rask et al. (2008, pp. 3, 9), and Oliveira and Teixeira (2011, pp. 9–11).

The concepts presented within this section follow the structure of Table 2. They are classified into the economic approach (the resource-based theory) and the network view, as outlined in Figure 18. Subsequently, a section around recent calls for a holistic theoretical approach of the market entry strategy follows.

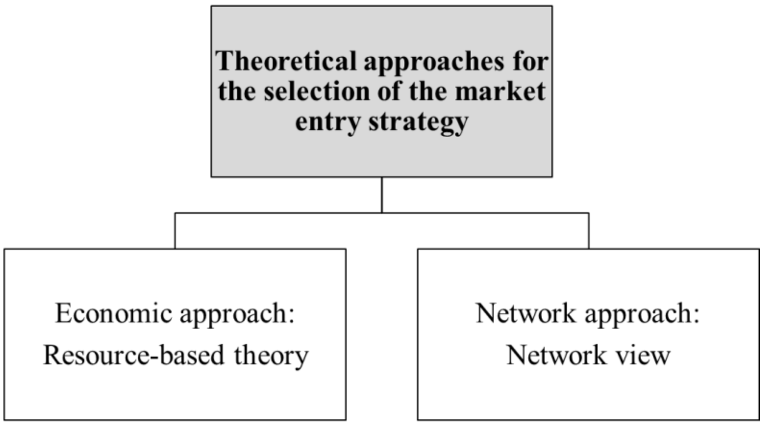


Figure 18: Theoretical approaches to the selection of the market entry strategy

Source: Constructed by the author.

3.7.1 The resource-based theory

Characteristics

The resource-based theory (RBT), also known as the resource orientation or resource-based approach, was originally part of the Strategic Management research stream (Tokuda, 2004). The RBT sees the quality of the resources as the key success factor for a firm. The idea behind the concept is that firms gain a competitive advantage once they have more valuable resources than the competition, or once they use the available resources better and more efficiently than the competition. Barney (1991) suggested that resources are of value when available opportunities are used, risks avoided, or gained a higher efficiency. Within this context, the term ‘resource’ can be defined as a specific strength of a firm that aims to secure long-term organisational goals. Resources may be tangible, such as machinery or buildings, or intangible, such as the organisational image, vision, or mission. Financial resources (such as capital, liquidity) or human resources (such as knowledge, know-how, experience) can also be summarised under this term (Niu, Wang, & Dong, 2013; Sirmon, Hitt, & Ireland, 2007).

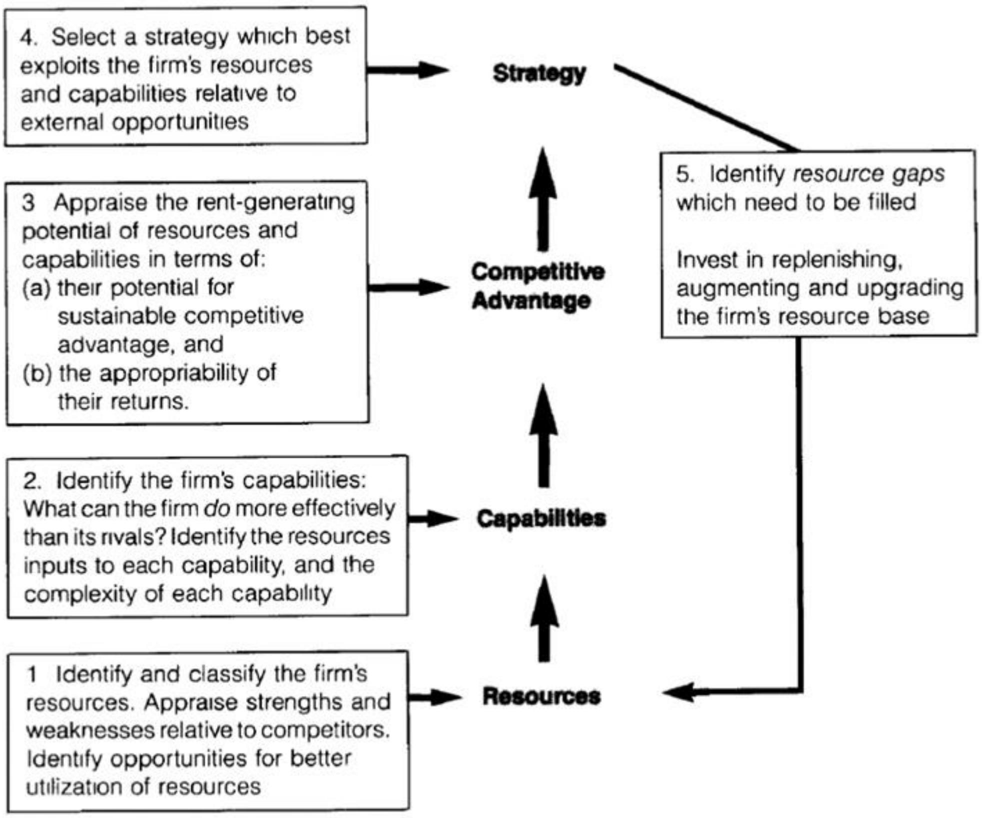


Figure 19: The resource-based theory

Source: Grant (1991, p. 115).

However, the pure availability of a resource does not result in a competitive advantage. In order to gain a competitive advantage, the available resources must be realised, specifically applied to the situation or firm, and linked together transparently (Ray, Barney, & Muhanna, 2004; Sirmon et al., 2007). Furthermore, not all resources have the potential to become a competitive advantage for the firm. Barney (1991) proposed criteria that need to be fulfilled in order to transform a pure resource into an organisational advantage. Resources have to be

- of value and benefit to the firm (for example, through an increase in efficiency or effectiveness);
- limited in supply/insufficient in supply, so that competitors are not automatically able to gain access to them;

- limited in imitations/inimitable, so that competitors are not able to imitate them; and
- limited in substitutions/non-substitutable, so that no functional equivalents exist that might favour competitors.

The more these criteria are fulfilled, the greater the competitive advantage and the sustainability of the competitive advantage will be (Grant, 1991; Oliver, 1997).

Within market entry research, the RBT has gained a high degree of acceptance and distribution (Connell, 2008; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Mariz- Perez & Garcia- Alvarez, 2009; Ruzzier, Antončič, & Konečnik, 2006; Ruzzier, Hisrich, et al., 2006). It is reasonable that not all firms have the same resources available for their market entry activities, and organisationally specific resources may be the influencing factors that decide how, when, and where the firm enters markets abroad (Westhead, Wright, & Ucbasaran, 2001).

Despite the high level of importance attached to the RBT, however, Brouthers, Brouthers, and Werner (2008) provided evidence that the resources itself do not provide any universal advantages in an international environment, and that the advantages depend on the context and, in particular, on the national institutional environment. According to the authors, the national institutional environment also influences the market entry mode choice and the performance of the subsidiary (if any). The authors suggested that firms should check and understand the host country's institutional environment and acknowledge the differences between the home and host environments. Furthermore, the authors stated that firms with lower resource advantages moderately react to changes in the institutional environment and tend to enter markets using the joint venture market entry mode, compared to firms with high resource advantages, for which changes in the institutional environment tend to have no significant influence.

The research conducted by Meyer, Estrin, Bhaumik, and Peng (2009), which investigated the link between institutional market support and the impact on organisational business strategy by analysing market entry into EMs, is related to the work of Brouthers et al. (2008). The authors noted that a strong correlation exists between market support through host country institutions and market entry modes with a high organisational commitment, such as Greenfield investments or acquisitions in the host country. The authors stated that integrating the institutional environments with the market entry strategies complements the RBT.

Pukall and Calabrò (2014) review the internationalisation of family firms and state that family-owned businesses tend to have fewer financial resources available than non-family business, which is turn reduces their options with regard to internationalisation. According to the authors, a reason for this is a reluctance to become too dependent on external financial partners, such as banks or investors. Furthermore, Pukall and Calabrò (2014) indicate that family members in the firm tend to have restricted internationalisation management knowledge, often as a result of their work history within the family business. The authors conclude that this lack of resources, financial as well as knowledge-wise, may negatively impact family businesses aiming to internationalise.

Ruzzier, Hisrich, et al. (2006) highlight the importance of the availability of the right resources for small firm internationalisation, yet argue that the operational environments and heterogeneity of small firms make an identification of the right and necessary resources challenging (Schellenberg, Harker, & Jafari, 2017).

Agarwal and Ramaswami (1992) emphasise the risks for small firms when internationalising, and in particular to high-risk countries. According to the authors, firms that enter markets abroad need to protect their competitive – tangible and intangible – resources, and to avoid full ownership abroad in the first instance.

Critique

While the RBT helps to strengthen firms' ability to become more competitive and streamline their organisation and available resources, it is not without criticism: Sanchez (2009) and Sciarelli (2008) criticised the missing focus on the market in which the firm is situated. According to both authors, the theory concentrates on the firm itself and does not focus enough on the surrounding environment, including the local and global markets. This lack of attention to the global and interconnected world of the 21st century, with continuous dynamics (such as shorter product lifecycles and foreign competitors) and a missing focus on the external environment could become a major risk for every firm. Hart and Dowell (2011) stated that if the external position is ignored for a longer period of time, the risk is high that new resource trends will be ignored.

Priem and Butler (2001) contended that some parts of the RBT are tautology, as the argumentation is circular and always true. Accordingly, the informative content of the theory cannot be derived.

Originally, as stated in the introduction, the RBT was not intended for internationally active firms. However, according to Spender (1994), it can still be used in this context. Conversely, Truijens (2003) stated that the RBT may be too narrow to explain market entry abroad.

3.7.2 Network view

Characteristics

The network view and theories are postulated by various researchers (Hadley & Wilson, 2003; Hertz, 1993; Johanson & Vahlne, 2003). All suggest that internationalising within a network (meaning two or more parties) might offer more options and scaling effects, and may spread the risk to the partners involved. Bernal, Burr, and Johnsen (2002) suggested that such a network could be a partnership of two or more competitors, while Fuller-Love and Thomas (2004) argued that arrangements on that basis do not only need to be with competitors, but could also be with partners along the supply chain or even from different industries (Hénard, Diamond, & Roseveare, 2012). Freeman, Edwards, and Schroder (2006) and Manolova, Manev, and Gyoshev (2010) further supported the importance of interpersonal networks, especially regarding market and segment knowledge, including intercultural and local know-how.

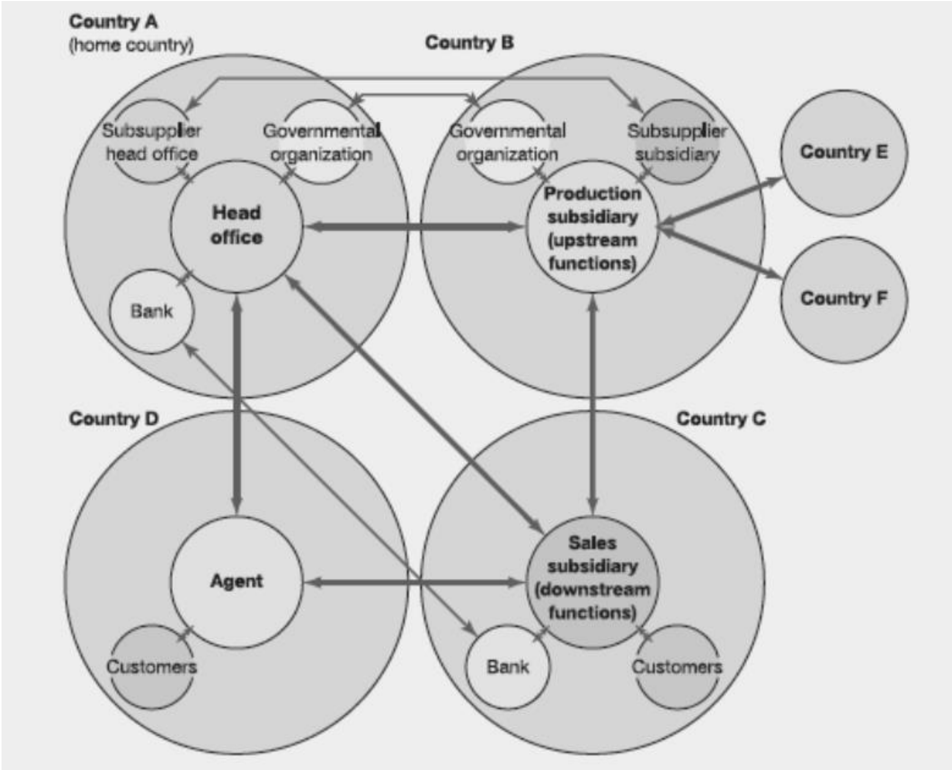


Figure 20: The network view

Source: Hollensen (2007, p. 71).

In contrast to approaches that focus on the individual firm and its incremental learning process, the network view focus on an inter-organisational exchange of information and knowledge (Hadley & Wilson, 2003). Individual weaknesses of single firms can be neutralised by the combined power of such a network. Member firms seem to value transparency and their relationships with each other (Morgan & Quack, 2006). In relation to a market entry in a particular market, practical forms of networks range from long-term alliances in research and development, shared procurement, sales or manufacturing platforms and agreements, or strategic alliances and joint ventures (S. K. Chetty & Blankenburg Holm, 2000; Johanson & Mattsson, 2012; Lu & Beamish, 2001).

Coviello and Munro (1997) conducted their qualitative research around network relationships in knowledge-based SMEs and found that the SMEs that they studied used a mix of incremental market entry and an extensive network around themselves.

According to the authors, the firms internationalised in a short time frame, without major market trials or evaluations, but became committed to their market entry relatively quickly. Furthermore, the research subjects tended to use multiple and various market entry modes to internationalise. The authors suggested that these findings might be related to the IT industry as the research subjects entered markets abroad directly after the firm foundation. This behaviour is closely related to the theory of 'International New Ventures' (Oviatt & McDougall, 1994; Zahra, 2004). As the Mittelstand firms within this study do not apply to the 'International New Venture' concept, no further details on the theory and its implications within the research context are provided.

Closely related to the RBT view, Lu and Beamish (2001) argue that SME partner networks could overcome market entry restrictions, constraints, and costs when entering a market together. In a similar vein, Li, Poppo, and Zhou (2008) review a more recent literature stream within the network view. The authors state that members of networks could enter culturally diverse, challenging, and complex markets (compared to the traditional home market) abroad together, while spreading the risks and resources needed for such a move.

Pukall and Calabrò (2014) review the role of the network view within small, family-owned businesses and its impact on the firm internationalisation process. The authors state that family businesses tend to overcome certain resource weaknesses, as highlighted in the RBT view (i.e. missing previous international experience), through qualitative factors among the family members, such as trust and altruism. The authors argue that such qualitative factors on the one hand support faster decision-making, and on the other hand positively support partnerships and networks (internally and externally). Despite these positive effects, however, Pukall and Calabrò (2014) agree with the view taken by Kontinen and Ojala (2011a, 2012): that the role of networks within family business internationalisation is still under-researched and needs further focus.

Coviello and McAuley (1999) reviewed the literature in relation to the market entry of SMEs and concluded, as stated in a similar way by Coviello and Munro (1997), that market entry in relation to SMEs cannot can be explained by a single theory, one perspective, or a certain mode, but instead should be seen as dynamic, multi-dimensional, and integrative. According to Coviello and McAuley (1999), it is important to understand the internal and external environments of the firm and the position it plays within each as part of a wider network.

Critique

Seppo (2007) pointed out various limitations of this approach, including dominance of network partners and loosing own organisational knowledge as part of a firm network that steers the market entry, which might result in a loss of organisational autonomy. Street and Cameron (2007) suggested that the number of network partners, their size and power level, and their cultural identity all need to be checked in advance. Wright, Westhead, and Ucbasaran (2007) argued that mutual trust between network partners forms the basis of successful networks. Furthermore, M. V. Jones and Coviello (2002) argued that efficiency and effectiveness in networks are not considered appropriately, as a focus on both parameters often stops at the barriers of each firm rather than focusing on both within the overall network.

Schuler (2001) found that networks are often just used, as some network partners have access to resources that other partners do not have or that are hard to gain. In reality, networks are often not as transparent or open-minded as the theory suggests. As a consequence, this causes instabilities in the networks (for example, due to a lack of trust), which may result in the failure of the partnership. Glaister, Husan, and Buckley (2003) agreed with the tendencies outlined by Schuler and cited practical examples of failed alliances and joint ventures due to the difficult power positions in the networks.

Björkman and Forsgren (2000) stated that the potential research outcome of network view-based case studies is limited, as generalisations and predictions in the research results vary due to missing international standards, such as industry structures.

Regarding the managerial impact of a SME market entry with the support of a network, Musteen, Francis, and Datta (2010) stated that managers should be aware of their position within a network as well as the information quality they may receive from network partners. While networks may be advantageous, the authors suggested that each network partner must be aware, because all network partners may be competitors in various business areas. Furthermore, the study highlighted that market entry with the support of networks may be positive or negative as the firm still needs to develop its own capabilities and should not fully rely on its network.

In their research about manufacturing SMEs aiming to internationalise, Chetty and Blankenburg Holm (2000) found that those firms show a major reliance on their networks. Due to the nature of SMEs, key management personnel are of major importance to the success of the firm itself, as well as to the market entry process and decisions related to it. The authors added that key management personnel need to understand the market entry potential and stimuli that a firm's network offers.

3.7.3 Recent calls for a holistic theoretical approach to the selection of the market entry strategy

Within the last few years, various authors have argued for a more multifaceted approach of the selection of the firm market entry strategy (contrary to the single theoretical approaches, such as the RBT and the network view) by integrating the various theories, approaches and thoughts. Etemad and Wright (1999, p. 9) concluded their research about SME market entry strategies with the following statement:

> *[...] no simple model adequately explains the success of some companies to internationalize.*

Since then, various authors have argued for a combination of existing theories and concepts. For instance, Ibeh and Young (2001) suggested using the RBT as the core of market entry strategy theories, and argued for this based on their research findings that the market entry of firms solely differ due to different resource availability. Mort and Weerawardena (2006) reviewed the link between Australian born global firms entering markets abroad through networks. In line with statements made by Ibeh and Young (2001), they agreed that a single theory cannot grasp the complexity of firm market entry strategies.

Depending on the firm's situation, the authors suggested using specific parts from existing theories and concepts, including the RBT and the network view, to enter markets abroad in line with the firm, industry, and sector specifics. Carter, Jones-Evans, and Ibeh (2012) and Lin (2010) further stated, in an overarching manner, the importance of better resource and competency links by moving away from a single theoretical approach to a more firm-specific complementary approach.

Laufs and Schwens (2014) critically review existing, 'traditional' SME internationalisation and market entry theories, frameworks, and concepts. They conclude their review by stating that despite the exhaustive research conducted over the last decades, *'[…] the field is characterized by theoretical paucity'*, and most researchers '*[…] choose a mix of theories […]'* (p. 1119) in their studies.

Andersen, Ahmad, and Chan (2014) reviewed the internationalisation of the firm and the applicability of theoretical approaches and concepts around the market entry of the firm. In line with the aforementioned calls for a more holistic approach regarding the market entry of the firm and the general internationalisation approach of the firm, the authors proposed a holistic model that includes internal factors (including firm-specific resources, strategic considerations of the firm, and product characteristics) and external factors (including industry-specific factors, home country factors, and host country factors). A conceptualisation of the proposed holistic model can be found in Figure 21 below. The three authors claim that their model

> *[…] encompasses all major factors mentioned in the literature as determinants of the international expansion of firms, including organizational or internal factors and environmental or external factors. This model can be useful for both MNCs and SMEs in their process of market entry. However, such a model needs empirical support through further studies.* (p. 71)

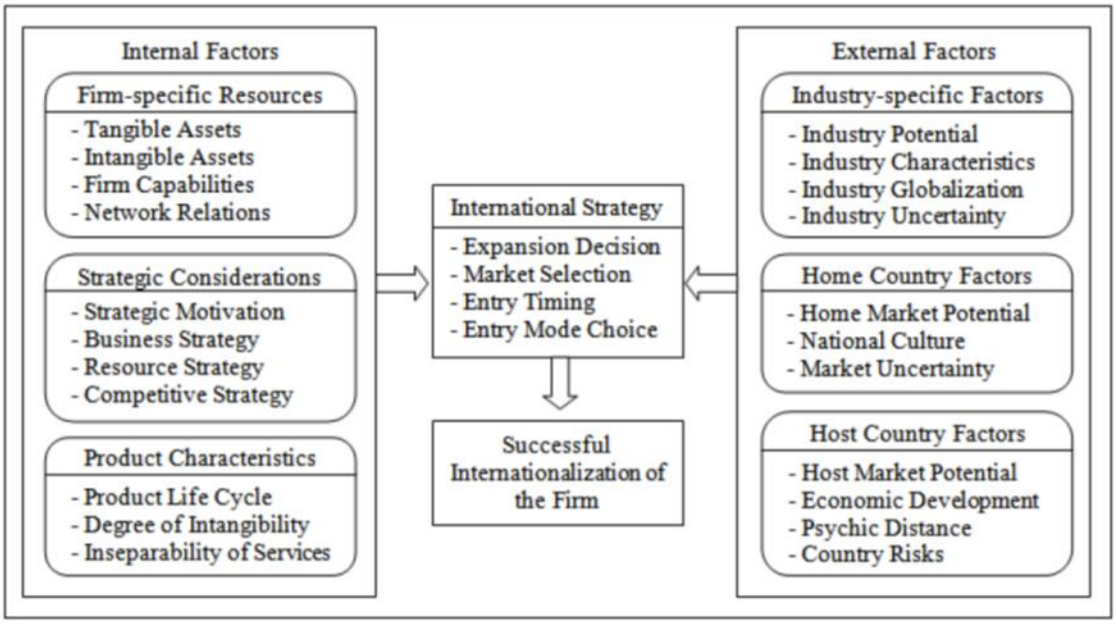


Figure 21: A proposed holistic theoretical approach to the selection of the market entry strategy

Source: Andersen et al. (2014, p. 71).

Andersen et al.'s (2014, p. 71) proposed holistic theoretical approach to the selection of the market entry strategy includes the firm's internal resource capabilities (tangible and intangible assets, and general firm capabilities) as well as the network view components, which reflect the aforementioned theoretical approaches of this study, the RBT and the network view.

3.8 Conclusion

This systematic and structured literature review presented a detailed overview of and insights into the various research streams, and information that provides the background for this thesis. Contextual information provided the necessary background details to understand the complexity of the market entry for Mittelstand firms in the MFMTS into the KSA, with its challenging cultural and religious environment. Motives, drivers, and influencing factors of the market entry were presented, while subsequently barriers to market entry highlighted the current state of the literature regarding the aforementioned sections. The systematic literature review furthermore highlighted the various ways in which a firm may enter a market, what the criteria are, and how the market entry mode selection process is conducted. Furthermore, certain patterns in terms of influencing factors, drivers, and motives were identified. Similar themes were highlighted within the section on the barriers to market entry. A review of the criteria and the decision-making process when choosing a market entry mode was presented, while the following section provided a review of some of the major theoretical approaches to the selection of the market entry strategy.

The review of theoretical approaches showed that a single concept or theory might not explain the market entry of Mittelstand firms. The RBT takes the perspective of the firm (in contrast to the market perspective) and its tangible, intangible, financial, and financial resources as the basis for market entry success. The ultimate aim is to achieve quality in the internal resources that cannot be imitated by competitors but that is appropriate and applicable for the firm’s market entry. As a result, the internal firm structures position the firm in the external environment. It is important to note that a pure existence of resources does not necessary result in success or advantages during the market entry, however. Resources need to be firm-relevant and possible to combine. Key authors and contributors regarding the RBT are Barney (1991), Barney, Ketchen, Wright, Barney, et al. (2011), Barney, Ketchen, Wright, Wan, et al. (2011), Kozlenkova et al. (2014), Ruzzier, Hisrich, et al. (2006) and Sirmon et al. (2007).

The network view is one of the more recent theoretical developments around the market entry and development. It postulates that, even in their home market, firms are part of networks, i.e. through supply chains, partnerships with other firms, or business associations. As a result, the network view approaches suggest entering abroad in the form of a network that cooperates together on the firm level or on individual activities to gain advantages (i.e. information or financial resources) for all involved network partners. Beyond the flexibility of the network view, networks’ low hierarchies and quick decision making are seen as major advantages. Key authors and contributors of the network view are Bernal, Burr, and Johnsen (2002), Ciravegna, Lopez, & Kundu (2014), Coviello and McAuley (1999), Coviello and Munro (1997), Freeman, Edwards, and Schroder (2006), Fuller-Love and Thomas (2004), Hadley and Wilson (2003), Hénard, Diamond, and

Roseveare (2012), Hertz (1993), Hohenthal, Johanson, & Johanson (2014), Johanson and Vahlne (2003), Lu and Beamish (2001), and Manolova, Manev, and Gyoshev (2010).

At present, the literature cannot provide a clear insight into how German Mittelstand firms in the MFMTS enter the Saudi Arabian market, what drivers and motives influence such a decision, what barriers and challenges might need to be overcome, and what kinds of factors are crucial to succeed in this process. As a result, the sections presented within this chapter presented a comprehensive analysis of the existing literature themes around this thesis, while providing relevant insights for the upcoming research methodology and design chapter (chapter 4).

Referring back to the research question and the research objectives (section 1.3), the first three out of four objectives were linked to this chapter. Market entry and post-entry operations processes (refer to research objective 1) were presented with sections on market entry drivers, motives and influencing factors, market entry mode selection, and possible decision criteria. Moreover, the chapter presented possible challenges that may occur during the market entry process (refer to research objective 2) in the form of barriers and challenges to entry, with a further distinction between exogenous and endogenous barriers. Finally, research objective 3 was linked to this chapter by examining whether and how existing SME theoretical approaches that aim to support the selection of the market entry strategy are applicable to Mittelstand firms as well.

4 Research methodology and design

4.1 Introduction

This research methodology and design chapter is based on the context chapter (chapter 2) and the conducted systematic literature review presented in chapter 3. The chapter will describe how the data for this empirical research were collected, and will also address the deeper research methodology behind the data collection.

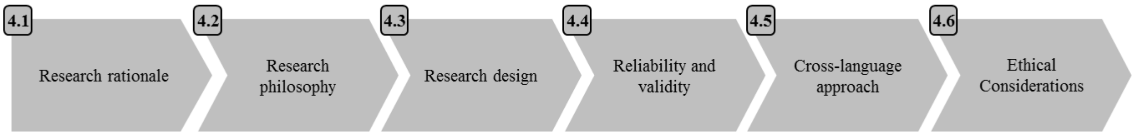


Figure 22: Structure of the research methodology and design chapter

Source: Adapted by the author from Saunders, Lewis, and Thornhill (2012).

This chapter is organised as follows. After this introduction section, the upcoming section restates the research aims and objectives of this thesis and forms the research rationale, based on the input provided by the research question, objectives and the systematic literature review. The chapter continues with a discussion of the research philosophy position taken within this thesis to identify its research direction. Details are presented regarding the research design, including data access, collection, and analysis. Information on how bias was overcome during the research process, details of the cross-language approach employed in this study, and the ethical considerations are subsequently presented, before the final section concludes the chapter.

4.2 Research rationale

This thesis aims to provide new knowledge about how German MFMTS Mittelstand firms tend to enter the Saudi Arabian market. Through this research, the thesis will cover how the Mittelstand firm enters the Saudi Arabian market, what problems and challenges exist during the entry and post-entry operations process, how those challenges can be overcome, and what kinds of factors support the process.

Based on the research question and objectives, this thesis uses literature from the streams of SME/ Mittelstand market entry within the manufacturing industry on the one hand, and the Saudi Arabian host country environment and specifics on the other. This is done in order to better understand the firms within the scope of this thesis. The context chapter (refer to chapter two) and the systematic literature review (refer to chapter three), conducted as a starting point, are linked with the open-ended and explanatory research question, thus suggesting an inductive research approach.

Within chapter 1, the justification for the research was presented by suggesting that there is a research gap regarding the opportunities and challenges that German MFMTS Mittelstand firms need to overcome when entering the Saudi Arabian market. The exploratory nature of the research themes, in line with the previously mentioned inductive approach, suggest theory and knowledge development following the data collection and analysis (Saunders et al., 2012).

While studies on market entry of the firm initially focused on manufacturing SMEs, comparably little research has been conducted on Mittelstand firms' market entry and their specifics. To the best of the author's knowledge, no study so far has focused on the entry and post-entry operations in the Saudi Arabian market for Mittelstand firms, nor on the MFMTS entering the Saudi Arabian market with its differing business and cultural environments and behaviours, in order to seek new observations or to determine existing observations in a different environment. As a result, the present study can be described as exploratory in nature.

Coming back to the research question and objectives stated in chapter 1 and the exploratory nature of the thesis with the differing research streams, qualitative research was identified as the most appropriate research methodology within this context (Easterby-Smith et al., 2012; Perry, 1998; Saunders et al., 2012).

4.3 Research philosophy

The underlying research philosophy influences the way in which people see and view the world. Distinct differences in perspectives exist regarding how knowledge is created, and how existing knowledge is further developed, especially when it involves humans and the social sciences, as is the case in this thesis (Saunders et al., 2012).

According to Bryman (2004), major characteristics of social science research are based on how the research subjects and the researcher view the world and how they understand it, including their assumptions about realities. Consequently, as Crotty (1998) states, the choice of a research philosophy is a subjective one.

4.3.1 Ontology and epistemology

Easterby-Smith et al. (2012) stress the importance of researchers thinking about their own philosophical assumptions, as this supports them in the overall research strategy and also helps them to avoid unsuitable methods for their project. A distinction can be made between an ontological and an epistemological approach (Gill, Johnson, & Clark, 2010).

Easterby-Smith et al. (2012, p. 18) define ontology as, *'[...] philosophical assumptions about the nature of reality'*. They state that four major ontological positions exist: 'realism', 'internal realism', 'relativism', and 'nominalism'. According to the authors, ontological positioning is directly linked to the epistemological assumptions that a researcher makes. The authors name 'strong positivism', 'positivism', 'constructionism', and 'strong constructionism' as epistemological options.

The author of this thesis believes that, from an ontological view, the world takes the form of relativism as a major characteristic of relativism in that there is not only one truth, but many 'truths' and, because of this, many realities (Rorty & Rorty, 1991). Furthermore, relativism takes the position that there is not one definite position that defines what a fact is; instead, it depends more on the position and viewpoints (including previous knowledge) of the person who is looking (Kelliher, 2005).

In addition to ontological assumptions, epistemological assumptions exist and are defined by Easterby-Smith et al. (2012, p. 18) as,

> *a general set of assumptions about ways of inquiring into the nature of the world.*

Social constructionism is the epistemological position that the author of this thesis holds. According to Saunders et al. (2012), the epistemological positioning of social constructionism views the world as a social phenomenon. Denzin and Lincoln (2011) state that authors within this perspective are not independent and objective of the research, but rather are part of it. Furthermore, humans and their interests are expected to play a major role in the project.

Crotty (1998) also describes social constructionism as a belief that the social world consists of individuals, groups, and networks, while the construction of knowledge is not a static process, but a dynamic, on-going process that includes social interaction. Furthermore, Crotty (1998, p. 54) brings in the cultural dimension and states:

> *[…] we are inevitably viewing it through lenses bestowed upon us by our culture. Our culture brings things into view for us and endows them with meaning.*

The author of this thesis agrees with that statement, especially as the research is about market entry by south-west German SMEs within the MFMTS into the KSA. Certain organisational and national cultures exist that may influence the understanding of social reality and, accordingly, also this thesis.

4.3.2 Axiology

According to Saunders et al. (2012, p. 137), axiology

> *[…] is a branch of philosophy that studies judgements about value'.*

Furthermore, Saunders et al. (2012, p. 137) state that

> *the role that your own values play in all states of the research process is of great importance if you wish your research results to be credible.*

Heron (1996) notes the importance of values for every one of us as, according to him, values are the core and guiding principles of human action.

In relation to the interpretivism research philosophy taken in this thesis, the researcher acknowledges that the view on own values and his own values will influence his position within the thesis. The researcher is a direct subjective part of the thesis, which is in line with the philosophical stance taken.

4.3.3 Research paradigm

Definition

A research paradigm, according to Easterby-Smith et al. (2012, p. 344) can be defined as *'a consensual pattern in the way scientists understand, and inquire into, the world'.*

Swanson and Holton (2005) propose three broad themes of research paradigms: positivism, interpretivism, and critical postmodernism.

In the interpretive paradigm, there is a holistic view of the overall environment and society, and there is no single correct way of gaining new knowledge (Kaplan & Maxwell, 1994; Willis, 1995). In terms of an often applied research methodology within the interpretive paradigm, Reeves and Hedberg (2003) state that researchers in this paradigm aim to use methodologies that seek meaning and specifically mention interviewing as a subjective option for interaction between the researcher and the research subjects.

According to Saunders et al. (2012), the question of how theory is developed within a thesis is a crucial one and a distinction between 'deductive' and 'inductive' approaches can be made, while the research approach taken is closely related to the paradigm perspective that the author takes. There is no 'right' or 'wrong' when it comes to the choice of using deduction or induction as an approach; it depends more on the philosophical stance of the researcher and the thesis itself (Goel, Gold, Kapur, & Houle, 1997).

Inductive reasoning

Inductive reasoning (sometimes called the 'bottom-up approach') starts by exploring certain phenomena or observations. From those observations, themes and patterns are found and generalised, resulting in a theory. Fox (2008) suggests using inductive reasoning when the research area is more open-ended and exploratory and aims to answer questions such as 'how?' or 'why?'.

Criticism includes that generalisations are made from a (small) sample. Generalisations work until other observations state the contrary, which may be the case in the future, once further research is conducted or another sample set is used (Tsang & Williams, 2012). In addition, the bias of the researcher will influence the outcome of the study, especially as the first assumptions and patterns are solely derived from the author's understanding and background (Fox, 2008). Furthermore, inductive reasoning, according to Hume (2012), suggests that things in the future will stay exactly as they were observed in the past, which can be seen as a form of uniformitarianism.

The researcher was comfortable with inductive reasoning as a research approach due to the complexity of the thesis itself and the involvement of humans as research subjects. From the data collected, the author aimed to detect patterns and analogies in order to design a market entry framework. This understanding seems to be in line with other research conducted in the area, as stated by Fox (2008, p. 430):

> *In social science research, inductive reasoning is of particular relevance in qualitative approaches that are used to extend existing theory into a new setting or to develop understanding and theory where none currently exists.*

4.4 Research design

4.4.1 Research methodology

According to Crotty (1998, p. 3), research methodology is the *'[...] strategy, plan of action, process or design [...]'* that influences the choice of the methodological assumptions behind a thesis and the final decision regarding which methodology to choose, whereby the chosen methodology needs to be able to achieve the desired result and should be in line with the philosophical assumptions of the researcher (J. Mason, 2002).

Qualitative research methodology

According to Denzin and Lincoln (2011), qualitative research methodologies are mainly applied within an interpretive research philosophy and seek to gain in-depth understandings and insights into the socially constructed world of the research subjects. Furthermore, qualitative researchers often apply inductive reasoning to their thesis as no initial theory should limit the research; however, the thesis itself should conclude with new theory generation.

Qualitative research sometimes uses insights from previous quantitative research as a basis and then moves ahead to gain a more detailed (human involving) perspective. Data collection techniques used within qualitative research interact with the research subjects in their own language, which may provide richer insights compared to numerical scales in quantitative research, and gives the research subjects the option to express themselves in their own terms and structure (Saunders et al., 2012). Grossberg, Nelson, and Treichler (1992, p. 4) argue that researchers within qualitative research,

> *[…] are committed to the naturalistic perspective and to the interpretive understanding of human experience.*

The qualitative approach offers the option to view insights and patterns from a holistic view, including potential intersections and other involvements that may influence the phenomena. Furthermore, the research may provide richer insights into observed phenomena, as it may ask further questions and 'dig deeper' into the aforementioned flexibility once new patterns arise within the data collection. Conversely, the characteristics of quantitative research cannot do so due to their reliance on numerical data and statistics (Easterby-Smith et al., 2012). This is in line with Gephart's (2004) interpretation, which notes the applicability of qualitative research for open and holistic research. Furthermore, Gephart believes that qualitative research is flexible when unexpected events occur, while offering a holistic view of the subject matter.

Furthermore, Denzin and Lincoln (2011, pp. 3–4) argue for qualitative research, stating that,

> *[…] qualitative researchers deploy a wide-range of interconnected interpretive practices, hoping always to get a better understanding of the subject matter at hand.*

Thus, the individual 'weighting' of the research subject is normally higher than it is in a quantitative thesis, and thus proportionally gives a higher weighting to the research subjects' response in relation to the overall data collection.

Qualitative research methods in international business research

In previous decades, international business (IB) research was mainly conducted with a quantitative research methodology. According to Sinkovics and Ghauri (2008), this is justified due to rigorous empirical investigations and strict research problems. The reasons for calls for more qualitative research in the research area are diverse: the research area is global and dynamic by nature, and requires a certain flexibility of the researcher and the research methodology. This argument finds support in the work of Doz (2011, p. 582). He states that IB research

> *[…] is a rich, open and complex field of study, partly because the world is intrinsically rich and complex […].*

Sinkovics and Ghauri (2008) state that, in addition to the aforementioned flexibility, a comprehensive and integrated view provides rich insights from real life phenomena. Doz (2011) in particular stresses the usefulness of qualitative research methods in relation to the organisational and managerial context. According to him, organisational processes, the managerial personnel, and questions that start with 'how', 'who', and 'why' are ideal for qualitative research.

The arguments presented by Sinkovics and Ghauri (2008) and Doz (2011) reflect the understanding of the author of this thesis. Gaining insights into the market entry strategies of SME firms, their distinct parameters and characteristics, as well as their influences, can hardly be achieved using quantitative research methods such as surveys, as these do not provide the 'richness' of insightfulness into the firms and their managerial personnel, nor do they provide a holistic view of the overall context. Consequently, a qualitative research method was applied in this thesis.

The thesis aims to generate new insights into theory and practice in terms of market entry strategies. While much has been written in terms of SME market entry, including focuses on various sectors, the distinct criteria influencing a market entry by south-west German SMEs within the MFMTS into the KSA still represents a research gap. Interestingly, the vast majority of the research conducted has employed a quantitative research methodology. Due to the nature of the context, the author felt the need for research that asked questions starting with ‘why?’, ‘who?’, and ‘how?’ and aimed to holistically work on the influencing variables and characteristics influencing such market entry decisions. In the author’s understanding, this was only possible using a qualitative research methodology, as it offered the necessary flexibility.

4.4.2 Primary data access

As part of any empirical research, having access to potential research subjects and data was crucial for the outcome of the project. The ‘gatekeepers’ of firms should be contacted directly when sourcing potential research subjects and talking about access to information. Gatekeepers have the power to permit or deny access to others who may be potential candidates for an interview. Wanat (2008) specifically mentions that gaining access is often an uncontrollable and lengthy process, for which researchers need to understand the social structure of the firm.

Access to primary data was granted by a variety of firms and institutions and their key personnel (refer to Figure 23). All data provided were in strict compliance with the relevant local (German or Saudi Arabian) data privacy laws.

Figure 23: Access to primary data

Source: Constructed by the author.

The following institutions and organisations granted access to potential interviewees:

- The German Embassy in Saudi Arabia sent an existing list of German firms active in the KSA market. The spread sheet included only the local company name and the region within the KSA where the firm is headquartered.
- The German-Saudi Arabian Liaison Office for Economic Affairs offered the option of purchasing a directory of German firms active in the KSA market. The directory contained contact details of firms within the scope of the thesis that were not yet covered by other sources.
- In addition to the institutions in the KSA, relevant German Chambers of Commerce were helpful in gaining contact details. Their contact detail database of member firms (which is available for free) was especially helpful for establishing contacts. Furthermore, principals of relevant Chambers of Commerce who had inside knowledge about the scope of this thesis were identified as potential interviewees.

- Relevant Machine Tool Manufacturer associations provided brochures and books to gain access to member firms. In addition, as with the Chambers of Commerce, principals of the Machine Tool Manufacturer Associations were identified as potential interviewees.
- All machine tool fairs in Germany and Saudi Arabia publicly presented their exhibitioner lists. While some of them simply contained the firm’s name and home country, others listed contact persons and further details.
- Finally, the researcher could also rely on some personal references and contacts within the sector and firms who were happy to support the thesis in the form of interviews.

All contact details received were consolidated in a spread sheet to provide an overview of the firms and their key personnel who could be seen as potential interviewees. Duplicates were removed and no selection or prioritisation occurred at the time of consolidation.

4.4.2.1 Sample size and technique

Sample size

In qualitative research, the sample size is an important yet controversial issue (Marshall, 1996; M. Mason, 2010). While there is some discussion about the sample size for quantitative research in theses, there is also a lively discussion in qualitative research about whether an appropriate (minimum) sample size exists and, if so, how to determine a meaningful sample for a thesis.

Crouch and McKenzie (2006) argue for the use of small sample research and state that this is becoming more common within business and social research, while opponents of small sample research argue for the greater validity of larger sample sets. Morse (2004) notes the concept of ‘theoretical saturation’ as suitable for qualitative research, while it is often applied to grounded research (Sandelowski, 2008), in which data collection and analysis are conducted until no new insights appear. Nevertheless, theoretical saturation, according to Sandelowski (2008), can be problematic because it might be a never-ending process, as theories and new insights are always subject to revisions and new discoveries. Guest, Bunce, and Johnson (2006) argue that theoretical saturation is a valid concept, but the practical advice about whether enough data are collected is limited. Indeed, this is a major concern for every thesis, including this one, especially when time and resource constraints exist, which is naturally the case in a doctoral program (Carpenter, 2012).

Marshall (1996, p. 523) does not mention an exact sample size, but highlights the importance of being flexible as the thesis progresses, stating that

> *an appropriate sample size for a qualitative study is one that adequately answers the research question. […] In practice, the number of required subjects usually becomes obvious as the study progresses, as new categories, themes or explanations stop emerging from the data […].*

According to Crouch and McKenzie (2006), interview-based qualitative research of less than 20 interviews will support a close relationship with the interviewees while obtaining in-depth insights into the natural environment. On the other hand, Guest et al. (2006) found that saturation in their study occurred after 12 interviews, while new concepts rarely appeared later on.

The present author attempted to link the concept of saturation on the one hand with some estimated sample sizes as presented above. With this consideration in mind, the author aimed to apply a certain flexibility during the thesis, as suggested by Marshall (1996), and conduct more or fewer interviews as necessary to gain saturation, depending on the outcomes of the interviews. This argument, from the perspective of the author, was further strengthened due to the close geographic (south-west German firms in the KSA), organisational (Mittelstand), and sectorial (MFMTS) focus of the thesis, with a relatively small number of potential interviewees.

Sample technique

Easterby-Smith et al. (2012) and Saunders et al. (2012) name two types of sampling techniques: probability (or representative) sampling and non-probability sampling. The first is normally applied to quantitative research where the overall population can be clearly calculated, while the second is most often used in qualitative research. Guest et al. (2006, p. 61) argue that qualitative research is often

> *[…] field oriented in nature and not concerned with statistical generalizability [and thus] often uses non-probabilistic samples.*

On the other hand, according to Easterby-Smith et al. (2012, p. 229), non-probability sampling can be further categorised into convenience sampling, quota sampling, snowball sampling, and purposive sampling. Within the latter,

> *[…] the researcher has a clear idea of what sample units are needed, and then approaches potential sample members to check whether they meet eligibility criteria.*

In this thesis, purposive sampling was originally applied. Potential interviewees were identified by collecting organisational and contact details from a variety of sources (refer to section 3.5.2.2), yet the snowball sampling technique was applied as well, as two interviewees recommended other interview partners.

4.4.2.2 Interview participant groups and the selection of interviewees

Interview participants

In order to conduct the semi-structured interviews, potential interviewees needed to be identified and selected. The researcher identified the two following groups of potential research subjects for this thesis:

- principals of south-west German Mittelstand firms within the MFMTS active on the KSA market or currently in the set-up phase; and
- principals in support-type organisations related to a market entry into the KSA with a close focus on Mittelstand firms and/or the sector.

All interviewees had in common that they were principals within their respective organisation and had insider knowledge about a market entry and the sector. Principals within this context were defined as belonging to the first and second hierarchical levels in the respective organisation, and included the following official job titles: Chief Executive Officer, Head of Middle East and Africa, Chief Sales and Marketing Officer, Head of Middle East, Chief Financial Officer, Head of Department, and Head of Departments Middle East.

From the first group, the researcher hoped to gain particular organisational and sectorial insights. The distinct organisational criteria influencing a market entry and previous experience with the KSA market were of particular interest. Regarding the second group, the institutions related to a market entry into the KSA, the author felt that some externals could provide useful information in particular about the political and legal system of the market entry process into the KSA and the specific cultural characteristics, while not being within the organisational boundaries and therefore having a different focus and previous experience.

Selection of interview partners

Before the possible interviewees were contacted and asked about their interest in participating in the thesis, the author ensured that all possible candidates would fulfil the criteria presented above. All possible interviewees were contacted on the same day via email and asked about their interest in participating in the thesis.

In total, 34 principals were contacted in this study:

- 26 were principals in a Mittelstand firm representing
    - three firms with less than 50 employees,
    - three firms with less than 100 employees,
    - three firms with less than 200 employees,
    - three firms with less than 300 employees,
    - six firms with less than 400 employees,
    - and eight firms with less than 500 employees.
- Eight principals were part of a support-type organisation.

Out of the contacted total of 34 principals (100%),

- Mittelstand firm principals represented around 70% (26 principals) and
- institutional representatives around 30% (8 principals).

The selection of interviewees then occurred according to the date/time of the response to participate in the thesis, and two selection pools were formed:

- One for the Mittelstand firm principals within the scope of the thesis, and
- one for the support-type organisation principals.

After the responses arrived, the researcher arranged suitable times with interested respondents in the first pool (Mittelstand firm principals within the scope of the thesis), while interviews with respondents in the second pool (principals of a support-type organisation) were scheduled after interviews with first pool interviewees were concluded.

4.4.2.3 Interviewee background information

The following section provides further interviewee background information:

- The selected and interviewed Mittelstand firm principals (eight interviewees; representing around 75% of all interviewees) represented firms that were originally founded between 1879 and 1964. The majority of the firms were founded in the 20th century, between the 1920s and the 1950s.
- Excluding subsidiaries, joint-ventures, and sister organisations, the interviewed firm representatives represented firms with a range of less than 50 and less than 500 full-time equivalent employees.
- None of the firms represented by the interviewees disclosed turnover or profit figures for the financial year 2014/2015. The interviewees stated that as those details do not need to be published under the applicable law, as few financial details as possible are shared with the public.
- Seven out of eight organisations represented by the interviewees had one firm shareholder in the financial year 2014/2015, and one firm had two shareholders. Out of the total eight firms represented by the interviewees, five were owned by the founding families and/or their direct successors.
- Two out of the total ten interviewees represented institutions. One interview took place with a representative of a non-profit business association supporting

Mittelstand firms in their market entry to the Middle East and the KSA. The other interview took place with a female principal from a south-west German Ministry that supports south-western Mittelstand firms in the machinery industry in internationalising. The interviewee from this ministry represented Saudi Arabia as the Head of Middle East. To secure the anonymity of both institutional interviewees, the foundation year of the institutions they represented are not disclosed in this thesis.

- All interviewees (the eight Mittelstand firm representatives and the two institutional representatives) were part of senior management in their organisations, with a relevant work experience of at least 10 years. Interestingly, most of the work experience was built up at the organisation for which the interviewees worked at the time of the interview. Most of them had never worked in any other organisation since finishing their education. All interviews were conducted directly between the researcher and a single interviewee. In addition, nine interviewees were male, while the last interview interviewee (number 10) was a female.
- All interviewees had a university education, most of them with the degree of a German *'Diplom'*, which was the predecessor of the Bologna education system that replaced Diplom degrees with bachelor's and master's degrees. In general, the former German degrees can be compared to master's degrees (Schuster, Hees, & Jeschke, 2013). Moreover, most interviewees' university studies (7 out of 10) were in a technical area, or at least their majors focused on a technical field. In addition, one interviewee was an apprentice before studying a mechanical engineering degree.

General information on the interviewees and the Mittelstand firms and institutions they represent, such as the organisation's founding year, number of employees, and number of shareholders, and the interviewees' profession, years of work experience, education, and age structure can be found in Appendix 4 – Organisation and interview participant information.

4.4.3 Data collection

4.4.3.1 Primary data collection

Hox and Boeije (2005, p. 593) define primary data as

> *original data collected for a specific research goal […] using procedures that fit the research problem best.*

Accordingly, the primary data collected will add and contribute to existing knowledge in the research area. According to Hox and Boeije (2005), examples of primary sources of data for quantitative research methods are experiments, surveys, diaries, observations, and monitoring's or newly created administrative records. For qualitative research methods, the authors name interviews and observations as possible data collection techniques.

While qualitative research may fit this study best due to its flexibility in relation to the research purpose, it also has distinct disadvantages: for instance, primary data collection may be time-consuming and can be costly, depending on the instrument used (Easterby-Smith et al., 2012).

Yang, Wang, and Su (2006) in particular review research methods applied in IB research and find that, within qualitative research methods, personal interviews and phone interviews are the most common techniques used as a primary data collection method. For secondary data collection, according to the authors, database research and case studies (for example, in the form of already published reports) are most often applied.

Thus, as stated by Sinkovics and Ghauri (2008, p. 691),

> *the analysis of text-based in-depth interviews is the most widely employed methodology for firm-level IB research […].*

According to Easterby-Smith et al. (2012), interviews aim to gain insights into personal and organisational realities, including the interviewees' views and opinions, while they can be distinguished by individual and group interviews and may happen in a structured, semi-structured, or unstructured form.

Semi-structured interviews as the primary research method used in this study

As a primary research method, semi-structured interviews were conducted with principals of south-west German SMEs active in the KSA market, as well as with principals of institutions (such as Chambers of Commerce) that support market entry into the KSA. The author did not consider a fully structured interview to be suitable, as it could not allow any further questions on themes and patterns arising during the interview; therefore, it was found to be too inflexible and static for this study (Easterby-Smith et al., 2012; Saunders et al., 2012). Furthermore, an unstructured interview was not applied either as, according to Easterby-Smith et al. (2012), the chances are high that the interviewee will not see the 'red line' and assumptions made by the interviewee may result in poor data. Additionally, J. Mason (2002, p. 62) states that unstructured interviews are a *'[...] misnomer [...]'* and that '*[...] no research can be completely lacking in some form of structure.'*

The author considered it to be a major advantage to have the option to clarify and ask further questions as new patterns arose during the interviews. Furthermore, a certain degree of structure throughout the interview process was considered to be reassuring. In addition to the semi-structured interviews, the author took notes about potentially important observations of non-verbal behaviour that occurred during the interview. These observations could add to the pure text of the interview and support the statements made by the interviewee; according to the researcher, they are an important part of the data collection.

Interview preparations and procedures

The interview participants were initially contacted by email or telephone and fully informed about the thesis, the methodology, and the ethical approval granted by the university. Furthermore, the individuals were informed that the author would like to digitally record the interview in order to transcribe it, while full confidentiality and anonymity would be granted, so that only the researcher could identify the individual. All contacted interview participants were happy to participate and especially glad to be able to speak freely since the data would be made anonymous.

The majority of the interviews took place at the interviewees' workplace (mainly in their office or in a separate meeting room), while one interview was conducted together with the interviewee during some car travel, as the interviewee was interested in supporting the researcher with his insights, yet lacked the necessary time due to a full work and travel schedule.

Before the interview started, the researcher once again outlined the purpose of the interview and the thesis, the option to withdraw from the interview at any given time, and the option to not answer a question if the interviewee did not want to.

The semi-structured, in-depth interviews were conducted in three phases:

a) preliminary investigations;
b) pre-interviews; and
c) interviews.

As part of the preliminary investigations, general interest about the research topic was tested. Furthermore, first contacts with firms and institutions were established. In the pre-interview phase potential questions, and the general interview conditions were tested with interviewees. The interview guide used was derived from the context review (refer to chapter 2) and the systematic literature review (refer to chapter 3). The pre-interviews consisted of four interviews whereby feedback from the participants was collected. Based on this feedback, the interview guide was refined in line with the systematic context and literature review.

Following the pre-interviews, the interview phase began. In total, 10 interviews were conducted in this phase. After interview number 9, the researcher realised that new insights rarely occurred, and conducted one more interview. After the 10^{th} interview, the trend of no further information continued and the primary data collection phase was finished.

The semi-structured interviews were all digitally recorded as they took place. At the conclusion of the interview, the researcher asked if the interviewee could be contacted again in case questions arose or additional information was required. All interviewees agreed to provide additional information if necessary, and the researcher called three of them after the interviews to clarify some unclear points and receive some additional answers to questions.

After the interviews were conducted, the researcher listened to the digital recordings and consulted the notes taken. The author utilised the option of outsourcing the transcription of the interviews, ensuring that the transcription service provider signed a non-disclosure agreement for all transcriptions.

Interview guide

The interview guide was developed along the identified themes and patterns from the systematic literature review and included three sections.

Classification section	**Organisational and individual classification data**
Section 1	Questions about the interviewee and the organisation
Section 2	Questions about the general market entry efforts and processes of the firm, and information about the decision-makers
Section 3	Questions related to the entry and post-entry operations process in the Saudi Arabian market, its distinct characteristics, reasons, and developments

Table 3: Overview of interview guide sections

Source: Constructed by the author.

As part of the interview guide, some classification data were requested from the interview participants as background information. The classification data were structured into two sections: organisational classification data and individual classification data.

In the first section, the interview participants who worked in an organisation that was active in Saudi Arabia were asked about the name and contact details of the organisation, the legal form of the organisation, the number of people employed, and the annual turnover. The institutional interview participants were asked for the name and contact details of the institution and the legal form of the institution. As part of the individual classification data, the actual position within the organisational hierarchy, previous experience, education, gender, and age were asked for both the organisational and the institutional interview participants.

In the first section of the interview, questions were asked about the interviewees' general background, as well as their organisation and the organisational structure in order to gain a better understanding of their background. In addition, the first questions also acted as 'door openers', as the interviewee could easily answer the questions and thus feel comfortable.

Section 2 of the interview guide included questions about the general market entry efforts and processes of the organisation, as well as the organisational decision-makers.

Finally, within the third section, specific questions about market entry into Saudi Arabia were asked, beginning with the history and reasons for a market entry before turning to the importance of the market to the firm, the market entry modes used, questions about the external environment in the form of politics, culture, and religion, and potential existing market entry barriers. The section then concluded with three specifically open and final questions that aimed to reflect the market entry process into Saudi Arabia.

The pre-interviews generally confirmed the questions and the timeline of the interview guide, but suggested that the researcher should 'dig deeper' after some answers to gain the necessary insights from the interviewees. Furthermore, the structure of the interview guide was refined to logically follow the questions from the general to the specific, while maintaining the link to the systematic literature review. The interview guide, including the abovementioned information, is attached in Appendix 3 - Interview guide.

4.4.3.2 Secondary data collection

McGinn (2008, p. 803) defines secondary data as

> *'[…] pre-existing data that have been collected for a different purpose or by someone other than the researcher. These data may have been gathered originally for another research study or for administrative purposes'.*

Examples of secondary data include government reports, public or private databases and archives, and data retrieved from other researchers and investigators (McGinn, 2008, p. 803).

White (2010) notes a number of distinct advantages of secondary data, including that data sets and information already exist, often in a structured format, and may even be peer-reviewed, depending on the data used. In addition, the use of secondary data saves considerable resources and time, and can also be seen as a major support to the researcher. This is especially the case in longitudinal studies that may take many years to complete (Easterby-Smith et al., 2012). Furthermore, secondary data may be needed to provide a holistic view of a thesis, as experts in other firms may deliver better results in their studies than one could do alone (Saunders et al., 2012).

On the other hand, secondary data have major disadvantages: the sources of secondary data that fit the research purpose need to be found, the data need to be retrievable, and further information about the context as well as the quality requirements applied need to be verified before the data can be used for the individual thesis (Hox & Boeije, 2005).

Secondary data in this study to complement the primary data

While the general data collection (including primary and secondary data collection) and their advantages and disadvantages were presented in section 3.4.2, this section will present the secondary data sources employed as part of the research design for this thesis that complement the primary data obtained through interviews.

The systematically structured literature review consisted of secondary data sources in the form of academic and business-focused journals and papers, published books, reports, and presentations. Furthermore, as necessary, websites and (online) newspapers were consulted. Within the literature review, context-related sections made use of publications and databases from internationally recognised institutions, such as the World Bank, the OECD, or the CIA World Factbook.

As part of the preparations and access to potential interviewees, the researcher used publicly available exhibition lists and catalogues from metal trade fairs, as well as documents from support-type organisations such as Chambers of Commerce and the German Embassy in the KSA. During the interviews, some interviewees also provided company information, such as company brochures, reports, organisational charts, and presentations.

The highest standards were applied and the researcher avoided the use of material that did not comply with the statements made by Hox and Boeije (2005), who advise that the secondary data – if possible – be checked against other peer-reviewed and/or official public sources to confirm the validity of the content.

4.4.4 Data analysis

4.4.4.1 Template analysis as a form of thematic analysis

Template Analysis (TA) is an analysis technique that is part of the thematic analysis techniques and closely related to Professor Nigel King, who promotes it as being a useful analysis tool for qualitative research (King, 2012).

According to Alvesson and Ashcraft (2012) TA should be one of the preferred choices for qualitative researchers who conduct one-to-one interviews, as the technique allows the researcher to handle the large amount of textual data that results from the transcription process.

Waring and Wainwright (2008, p. 85) state that,

> *one of the most problematic issues for researchers who conduct qualitative research […] is the analysis of large quantities of rich data.*

TA tries to overcome this issue by offering a flexible tool that can be applied to a broad spectrum of studies and contexts. According to King (2004), TA can be defined as a group of methods to organise and analyse data in text form. Contrary to other data analysis techniques, TA is not linked to a particular theoretical position of the researcher, but is flexible and works well with the social constructionism epistemology applied in this thesis. This view is confirmed by Buchanan (2012), who argues for TA as it provides tools and techniques and is not directly linked to a particular research methodology; this, according to King (2012), is a distinct advantage, as the researcher can focus on organising and analysing the transcribed interview data while having the flexibility to focus on the content.

The analysis technique is highly structured and uses higher- and lower-level codes (Brooks & King, 2012; King, 2012), with the higher-order codes providing the analysis with a structure and the lower-order codes showing details and distinctions within the data (King, 2004). King (2012) suggests making use of a priori coding for the initial template, which could be based on the conducted systematic literature review – as is the case in this thesis – or on initial findings. Through the coding structure, TA forces the researcher to work in a structured and disciplined manner while offering flexibility to change the coding template as required.

While the TA technique has its drawbacks, such as the potential that parts of the described data may be removed from the context due to their structuring in codes or the lack of relevant literature around the analysis (compared to, for example, grounded theory), the advantages of the technique outweigh its limitations, and include a flexible and structured coding system and the option to code both manually as well as with computer software (Brooks & King, 2012; King, 2012).

The researcher employed a priori codes based on the systematically conducted literature review and the interview guide, and created an initial template that was refined and reworked as the analysis of the interview transcripts progressed. This procedure is in line with King's (2004, p. 259) original work, and suggests the initial template to be

> *[…] in order to analyse the text through the process of coding, but is itself revised in the light of the ongoing analysis.*

4.4.4.2 Initial stages of data analysis and coding

King (2004) writes about the linkage between TA and the use of Computer Assisted Qualitative Data Analysis Software (CAQDAS), and states that there are similarities between the structured approach of TA and CAQDAS. Kvale (2007) argues that software can support the data analysis process as it helps to structure the enormous amount of data for further analysis. However, the author highlights the fact that the analysis and the interpretation of the data generated cannot be undertaken by a computer, and remain the responsibility of the researcher (Easterby-Smith et al., 2012; Kvale, 2007). Atherton and Elsmore (2007) warn that the interview data may lose their context once they are coded in fragments, in particular when the support of computers is employed. In order to avoid this transcript de-conceptualisation in this study, the transcripts were coded in sentences and/or paragraphs. NVivo also takes this consideration into account by offering a full-text search and providing the option of showing the text segments before and after the coded text parts (Saillard, 2011).

As this research is of a qualitative nature, the software package was not used for quantitative purposes, although it allows and offers options to do this. Within this thesis, the software suite was used to search for key words, coding, writing notes, linking together parts of the transcripts, and creating graphical overview charts, all of which would have been difficult to achieve without a software package.

Northumbria University offers licences for the software package NVivo, which can be accounted towards CAQDAS, to their doctoral researchers. The software package

> *[…] allows the researcher to: index segments of the text to particular themes, carry out complex search and retrieval operations quickly, and link research notes to coding'* (C. Cassell, Buehring, Symon, Johnson, & Bishop, 2006, p. 9).

In their article, Al Yahmady and Alabri (2013, p. 1) highlight the importance of applying CAQDAS in research to work in a more structured and methodological way. The authors furthermore state that *'[…] electronic techniques of data coding are gradually being more employed to obtain rigor in dealing with such data'.*

NVivo offers the option of structuring data into higher-order and lower-order codes, and thus offers a package that fits the present author's need to support the data analysis in this study. Given technological advantages, certain tasks that used to be done manually in the past can now be supported by the software. This gives the researcher more time *'[…] to discover tendencies, recognize themes and derive conclusions'* (Al Yahmady & Alabri, 2013, p. 2).

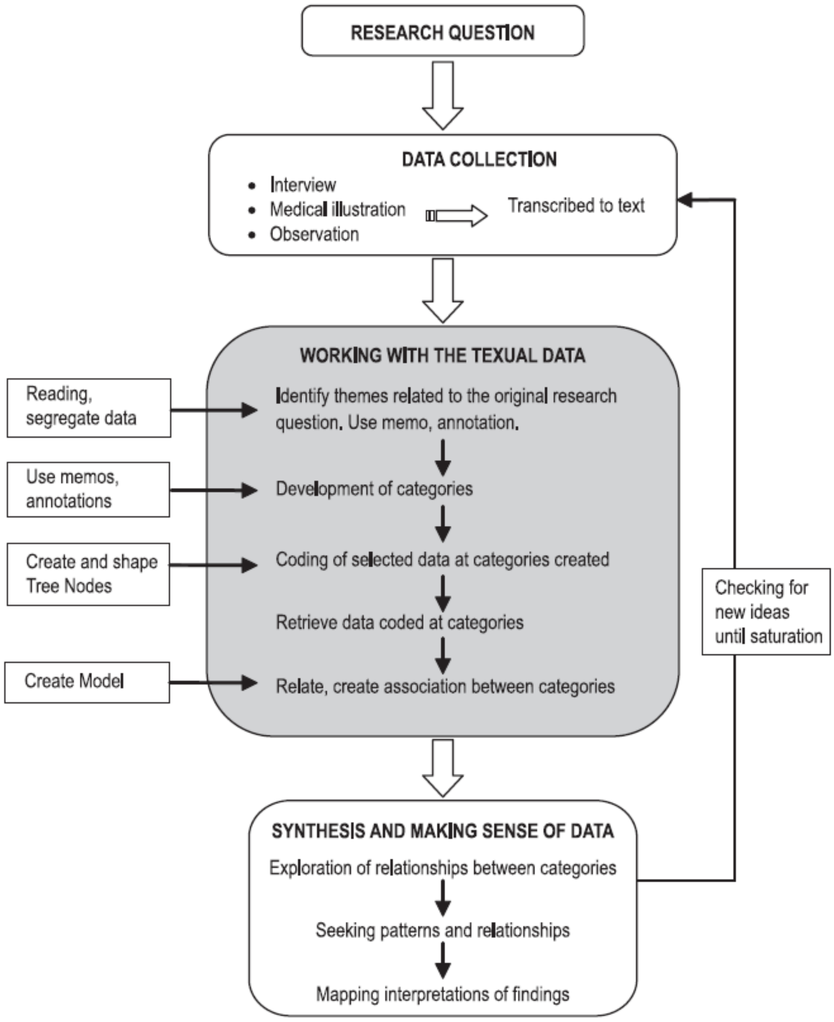


Figure 24: Qualitative data analysis flowchart

Source: Wong (2008, p. 15).

The data analysis process in this study followed the flowchart provided in Figure 24 as provided by Wong (2008, p. 15). Before the data transcripts were loaded into NVivo to be coded, the researcher prepared an initial a priori coding set based on insights from the systematic context and literature review and from the interview guide (refer to Appendix 5 – Initial template). The initial template of higher- and lower-order codes (named 'categories' in Wong's flowchart (2008, p. 15)) was transferred to NVivo and the interview transcripts were coded individually in the order in which they were conducted. During the coding process, based on the insights gained, the template changed dynamically in time and data. Changes occurred as new themes arose, new codes (within NVivo the term ‘nodes’ is used) arose, codes were merged with existing ones, renamed, or re-structured to other higher codes. Sections coded earlier needed to be re-checked and, if necessary, re-coded due to the changed template and associations created between codes.

A distinct feature of this emerging data gathering process was supported by the TA system and NVivo, as the coding could take place in two forms: parallel coding and hierarchical coding. The hierarchical coding system grouped certain lower codes together into lower ranked codes; there was no limit to the number of codes used. Conversely, parallel coding was used when text fragments provided important information regarding more than one code.

After coding all transcripts, re-applying the final coding set to all data, and removing overlaps, the final template was released and can be seen in Appendix 6 – Final template. Within the appendices, Appendix 7 – NVivo output provides a coded interviewee excerpt as supporting evidence and proof of rigour that the data analysis process was conducted in a reliable and trustworthy way.

4.4.4.3 Linking the data coding process to the systematically conducted context and literature review

The initial higher- and lower-level codes in the coding template were derived from the systematically conducted context review (refer to chapter 2) and the literature review (refer to chapter 3) as a start to the iterative coding process. Furthermore, the research question and the postulated research aims and objectives supported the structure of the template by setting the overall aims.

While the template further developed over time towards the final template (refer to Appendix 6 – Final template) as new insights and aspects were gained through the empirical study, the foundation of the initial template (refer to Appendix 5 – Initial template) was pre-structured around three higher-order codes and various lower-order codes under each higher-order code.

The higher- and lower-order codes in the initial template were structured according to

- A higher level code around the interviewee’s organisation, with lower level codes along the interviewee background information, the organisational type and structure, a general overview of the products and services offered as well as the adaption of products for markets abroad.
- A higher level code around the Mittelstand firm and their market entries abroad, with lower level codes along the reasons for going abroad, motives, drivers and influencing factors, barriers and challenges, the market entry mode strategy, market entry mode criteria and information on the decision making process.
- A higher level code around the Mittelstand firm and their KSA engagement, with lower level codes around the firms KSA engagement history, information on the cultural environment, market entry motives, drivers and influencing factors, market entry barriers and challenges, the market entry mode strategy, the current and future importance of the KSA market and the organisations success factors when dealing with the KSA market.

4.5 Reliability and validity

Rigour and quality are important criteria for science, and in particular for academic research that aims to contribute to theory and practice. Due to its nature, qualitative research is difficult to replicate as it involves human interactions and is based on the participants and the researcher (Crotty, 1998). Nevertheless, Morse, Barrett, Mayan, Olson, and Spiers (2008) support the application and active use of the terms ‘reliability’ and ‘validity’ not only as part of quantitative research, where they were originally developed, but also as part of qualitative research, which is in line with conclusions provided by Golafshani (2003).

4.5.1 Reliability

Within a broader context, reliability refers to whether research findings and conclusions would be the same if another researcher were to repeat the research using the same research methods applied in the original study (Remenyi, 2005). Wide controversies and discussions have taken place in this regard; for instance, Lincoln and Guba (1985) are of the opinion that phenomena studied as part of qualitative research are often complex and settled within specific contexts, which makes a replication useless. Moreover, Hughes and Sharrock (1997), who represent the constructivist epistemology, argue that no single phenomena and reality exists, which automatically excludes a study's replication.

Nevertheless, alternatives such as the concept of trustworthiness by Guba and Lincoln (1989) in a broader form recall the origins of reliability: the soundness of a research project.

Ritchie and Lewis (2003) propose reliability requirements that a study should fulfil to be considered *'consistent, dependable or replicable'* (p. 271). The authors state that a certain inevitability needs to exist, and that details and meanings attached to the original data should also be found outside the applied study population. In addition, consistency and rigour along the interpretations need to be applied to the original data.

At this stage, a distinction between internal and external reliability should be made. Internal reliability aims to provide consistency within the research along the data collection, its analysis, and its final interpretation (Denzin & Lincoln, 2011; Saunders et al., 2012). In the present study, the aim to provide internal reliability was achieved with the use of regular, internal checks of the collected data and its interpretation. In practice, this means that secondary sources were reviewed for their content and double checked with other sources for their robustness, while the interpretation followed reviews of the present author's proof readers. Along the primary data collection process, internal checks were conducted and further questions were posed to the interviewees regarding the soundness of the data. Along the interpretation of the primary data gained, again, the present author's proof readers read the interviewee transcripts first, followed by the discussion and conclusion sections, to provide as much internal reliability as possible.

On the other hand, external reliability aims to provide the possibility for externals to reproduce the study using the same methods and to reach conclusions that are similar to the original one (Denzin & Lincoln, 2011; Saunders et al., 2012). In practice, external reliability was achieved in this study by providing as much information as possible about the research design and methodology process in this chapter, ranging from the researcher's philosophical assumptions to details about the research design, which covered insights into the applied research methodology, data access, data collection, and applied analysis technique. External reliability was further ensured with openness and critical self-reflection on important topics and milestones in this research, such as the sample design and selection, with regard to potential bias or the sample's representativeness of the overall population. Along the data collection process, critical questioning was done regarding the interview consistency and time, and interviewees were given the chance to present their background and experiences. On the other hand, along the data analysis process, a particular focus was directed towards a systematic and comprehensive analysis. All of the aforementioned self-reflections and self-questioning were important as a basis for the data interpretation, which naturally needed to be supported by evidence provided throughout the data collection and analysis process.

4.5.2 Validity

According to Remeyi (2005), 'validity' measures whether conducted research is a worthy academic piece and truly accomplishes the intended research measures and results. According to Denzin and Lincoln (2011) and Saunders et al. (2012), validity can be categorised into internal and external validity.

Internal validity aims to check whether the research design is constructed in such a way that the study's outcomes are a direct result of the experiment (Burke, 1997; Cooper & Schindler, 2014). In the present study, internal validity was achieved through structured and established instruments. By conducting semi-structured interviews, the author used an established data collection tool. Moreover, before conducting the interviews, relevant secondary data about the organisations and research subjects were obtained so that the author could be as informed as possible. Iterative questioning was employed throughout the interviews, as the interviewees should provide the information, and as little subjectivity as possible should be brought into the interview from the researcher's perspective. Due to extensive contact with the supervision team and the annual progression panel, constant debriefing was supported throughout the process. In addition, the systematic literature review formed the basis of the data collection process, and previous research findings were included as part of the credibility process.

On the other hand, external validity aims to check whether the results of the research study can be generalised beyond that study's own research sample to a wider population group, i.e. at a different location (Burke, 1997; Cooper & Schindler, 2014). High external validity was achieved in this thesis by providing detailed insights into the sampling process and the general requirements that needed to be met for the study to be applicable to the wider population. Furthermore, as many details as possible (in line with the anonymisation) were provided about the interviewees and the organisations that they represented. Details around data restriction, the number of research participants, and more were furthermore provided with regard to the data collection. Naturally, substantial information and insights were also presented regarding the data collection tools, the timeframe of the data collection, and the data analysis technique and tools.

4.6 Cross-language approach

The majority of secondary data was obtained in the English language, which represents the fact that the author is conducting research as part of a UK Doctoral program and also follows the language of global trade and IB, which is mainly used as a common basis (Neeley, 2012). Nevertheless, some of the secondary data and the primary data was retrieved in German and, if required, translated into English. Reasons for this are the fact that much of the research about the German Mittelstand and its particular characteristics was conducted from German academic and semi-government institutes that focus on the Mittelstand.

Temple and Young (2004) raised the question whether the translation from one language to another language should be mentioned within a thesis. While the authors present arguments for and against identifying the translation within a thesis, the author of this thesis feels the need to identify and present the information that parts of the data collected were translated by the author from German to English as an important part of the credibility and confirmability of the thesis. All of the interviewees were native Germans. In order to avoid incorrect interpretations due to potentially low English language levels, the contact, and the invitation to participate in the interview, as well as the interview itself, were conducted in German. As a result, the analysis of the interview transcripts was also conducted in German, while thereafter the data was translated from German to English and then presented in this thesis in the respective chapters (refer to Figure 25).

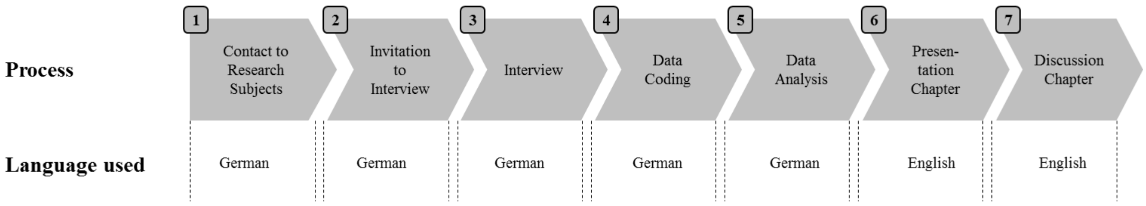


Figure 25: Cross-language approach

Source: Constructed by the author.

Temple and Young (2004, p. 174) support the approach of the thesis author and state that

> *the early 'domestication' of research into written English may mean that the ties between language and identity/culture are cut to the disadvantage of non-English speakers.*

This cross-language approach has the advantage that it offers the interviewees the opportunity to speak freely during the interview so that no disruptions from translations occur. Furthermore, interviewees can express exactly what they want to say in their native language.

Hult et al. (2008) argue for careful consideration of cross-cultural theses and their back-translation. Not only should a focus be put on an accurate translation, but also an adaptation and compatibility of the concepts used in the cultures and nationalities that are part of the thesis. Additionally, the authors argue for an adaptation of the translation to local idioms while the researcher should ensure that the original meaning did not get lost. Arguments against an external translator include resource limitations, but more importantly, the translator would not be present during the interview and could not be aware of the atmosphere in which the interviews took place.

Temple and Young (2004, p. 175) mention that a possible limitation of translation as part of a thesis is the abuse of power and an increased subjectivity by the researcher. The authors, in terms of subjectivity, specifically state '*[…] all researchers should ask how they represent other people'.* While this argument needs to be seriously considered, the author still felt that the advantages of this process outweigh the possible limitations. As digital recordings and transcripts of the interviews exist, researchers interested in this study could use the German raw data to check that no abuse of power or an incorrect representation of the interviewees exists.

4.7 Ethical considerations

Saunders et al. (2012, p. 226) define research ethics as,

> *[…] the standards of behaviour that guide your conduct in relation to the rights of those who become the subject of your work, or are affected by it.*

As one social norm of research ethics, Saunders et al. (2012, p. 227) name the deontological view, which *'[…] is based on following rules to guide researchers' conduct,'* while, according to this social norm, *'[…] acting outside the rules can never be justified.*'

In this study, the author employed a deontological view on ethics, as in his understanding certain guidelines ('rules') need to exist for the research to have an integrity and trustworthiness, while at the same time ensuring the safety of the researcher and the interviewees.

Ethical principles

Easterby-Smith et al. (2012) and Saunders et al. (2012) suggest complying with 10 ethical principles that they list in their handbooks (refer to Table 4). While some principles, such as respect or avoidance of harm, have a corresponding principle in the work of the other author, some are distinct, such as declarations of affiliations, funding sources, and conflicts of interest.

Ethical principles according to Saunders et al. (2012)	**Ethical principles according to Easterby-Smith et al. (2012)**
Integrity and objectivity of the researcher	Ensuring that no harm comes to participants
Respect for others	Respecting the dignity of research participants
Avoidance of harm (non-malfeasance)	Ensuring a fully informed consent
Privacy of those taking part	Protecting the privacy of research subjects
Voluntary nature of participant and right to withdraw	Ensuring the confidentiality of research data
Informed consent of those taking part	Protecting the anonymity of individuals and organisations
Ensuring confidentiality of data and maintenance of anonymity of those taking part	Avoiding deception about the nature or aims of the research
Responsibility in the analysis of data and reporting of findings	Declaration of affiliations, funding sources, and conflicts of interest
Compliance in the management of data	Honesty and transparency in communicating about the research
Ensuring the safety of the researcher	Avoidance of any misleading or false reporting of research findings

Table 4: Ethical principles

Source: Constructed by the author from Easterby-Smith et al. (2012, p. 95) and Saunders et al. (2012, pp. 231–232).

Ethical approval and informed consent

Researchers working or studying at the University of Northumbria at Newcastle are obliged to follow the rules and guidelines issued by the University/Faculty regarding research ethics (Northumbria University - University Research Ethics Committee, 2013). Part of the ethical considerations for this thesis was the specific ethical approval gained from the relevant subcommittee of Northumbria University and Newcastle Business School as the affiliated university of which the researcher was part. Naturally, all processes and guidelines were strictly adhered to.

The ethical approval was based on the ‘Business and Law Student Ethical Issues Form’, in which the researcher outlined the thesis, including anticipated resources and potential issues and limitations.

The ‘Organisation Informed Consent Form’ was signed by an authorised member of the interviewees’ organisation as part of all conducted interviews. The researcher asked for organisational informed consent and confidentiality, and anonymity of the data received was affirmed. In addition, the ‘Individual Informed Consent Form’ (which again outlined the thesis) was signed by all of the interviewees, as organisational consent alone was not sufficient for this thesis.

As the thesis used a cross-language, information based on the approval gained by the relevant Northumbria University Ethics subcommittee was provided to the interview participants in German, and included a brief description of the thesis itself, the research method employed, and information on the confidentiality and anonymity of the research subjects.

Data security

Another important aspect of the ethical considerations was questions about securing the data received from the interviewees. Corti (2008, p. 196) states that:

> *data security is concerned with ensuring that valuable qualitative data resources are kept safe during the research process and beyond if data are to be formally archived.*

The Northumbria University - University Research Ethics Committee (2013) additionally expects its researchers to maintain an accurate record of all documents and information processed and received.

The digital recordings of the interviews were secured on two separate USB sticks and saved in a bank vault. Transmission of the digital recordings to the agency that transcribed the interviews was completed via secured networks and only after the agency signed a non-disclosure agreement. The final transcripts were secured on the aforementioned USB sticks and again stored in the bank vault.

4.8 Conclusion

This chapter presented the research methodology and design used in this thesis. These were based on the context chapter about the industry, the Mittelstand, and Saudi Arabia, as well as the systematically conducted literature review; moreover, they were also linked to the stated research question and objectives. The chapter presented the details of the research methodology and design in a transparent format, including appendices providing insight into the initial (refer to Appendix 5 – Initial template) and final templates (refer to Appendix 6 – Final template) that were used for the data coding process. Furthermore, an appendix with coded NVivo output (refer to Appendix 7 – NVivo output) was also included to provide evidence in terms of software and technique knowledge as well as rigour. Finally, the chapter also highlighted ethical considerations.

The upcoming chapter will present the findings and the analysis of this study.

5 Findings and analysis

5.1 Introduction

This chapter follows the methodological steps presented in chapter 4 by analysing the collected empirical data. The basis for the coding of the data is underlined by the context chapter (chapter 2) and the systematic literature review conducted in chapter 3 as well as insights gained from interviewees. The chapter aims to provide an analysis of how German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market. Furthermore, the analysis aims to provide insights into the kinds of problems and challenges that may occur during the market entry process and how they can be overcome, as well as the kinds of factors that support a Mittelstand firm's success in this process.

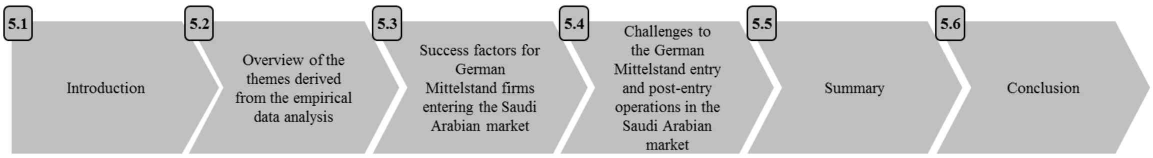


Figure 26: Findings and analysis chapter structure

Source: Constructed by the author.

The following section presents the themes derived from the empirical data analysis. The subsequent section presents the analysis of the success factors of the German Mittelstand; it covers firm characteristics and the internal environment on the one hand, and the external environment on the other. Subsequently, barriers and challenges regarding the German Mittelstand entry and post-entry operations process in the Saudi Arabian market are analysed, before a summary of the insights gained and a final section conclude the chapter.

5.2 Overview of the themes derived from the empirical data analysis

As with all qualitative research approaches, the gathered data volume was enormous and in an unstructured format. The author therefore aimed to structure the gathered data and reduce its complexity while keeping the interviewee responses in context. Following the inductive research approach linked with the philosophical assumptions of social constructionism and interpretivism, this chapter links the interviewee responses in a logical presentation form, although they might not have occurred in this order during the interviews. While themes are presented one after the other, a ranking of importance or content was and is not intended. The themes reveal insights gained from interviews conducted during this study, and are a subjective reflection of those insights.

The main focus of this research is on how German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market, with a particular focus on the problems and challenges that occur during the market entry and post-entry operation process, as well as the success factors that support firms' success in this process.

The findings were structured around the research aims and objectives, distinguished between success factors for German Mittelstand firms in the MFMTS entering the Saudi Arabian market on the one hand (section 4.3), and challenges that these firms face in the entering and post-entry operation process in this market on the other (section 4.4).

The empirical data revealed a total of eight different success factor themes. These themes describe firm, product, service, knowledge, and human factor characteristics that favour a successful market entry and subsequent post-entry operation of the German Mittelstand firm in the KSA. The themes are as follows:

- Theme A - Family businesses as the organisational foundation;
- Theme B - Small hierarchies and decision-making;
- Theme C - Quality products and after-sales support;
- Theme D - Niche focus of the organisation;
- Theme E - Market entry and market entry mode decision-making;
- Theme F - The key characteristics and criteria of decision-makers;

  - Theme G - ‘Made in Germany’ and the country of origin effect; and
  - Theme H - Foreign trade promotion agencies and business associations as a form of market entry support.

Regarding the challenges in the German Mittelstand entry and post-entry operations process in the Saudi Arabian market, 13 themes were identified. Two sub-structures emerged. The first six are themes regarding the business environment in the KSA. Those themes include challenges and barriers that are either firm or environment related, yet do not favour market entry and post-entry operations. The remaining seven themes regard the intercultural environment in the KSA. In this group, themes arose from the interviewees’ responses that could often be attributed to the differing cultures and perspectives. As the thesis title suggests, a German Mittelstand perspective is taken, which explains certain positions and views. The 13 identified themes are the following:

- *The business environment in Saudi Arabia*
  - Theme I - Limited firm resources;
  - Theme J - Market entry modes;
  - Theme K - The political system;
  - Theme L - Bureaucracy;
  - Theme M - The legal environment; and
  - Theme N - The Saudi labour nationalisation program.
- *The intercultural environment in Saudi Arabia*
  - Theme O - The cultural and religious environments;
  - Theme P - Women in the work environment;
  - Theme Q - The business family and its hierarchy;
  - Theme R - Trust, commitments, and decision-making;
  - Theme S - The negotiation process;
  - Theme T - Attitude towards time; and
  - Theme U - Expectations of Saudi Arabian customers regarding Mittelstand firm products, and of German Mittelstand firms regarding the Saudi Arabian market.

A visualisation of the themes can found in Figure 27 as per the above description.

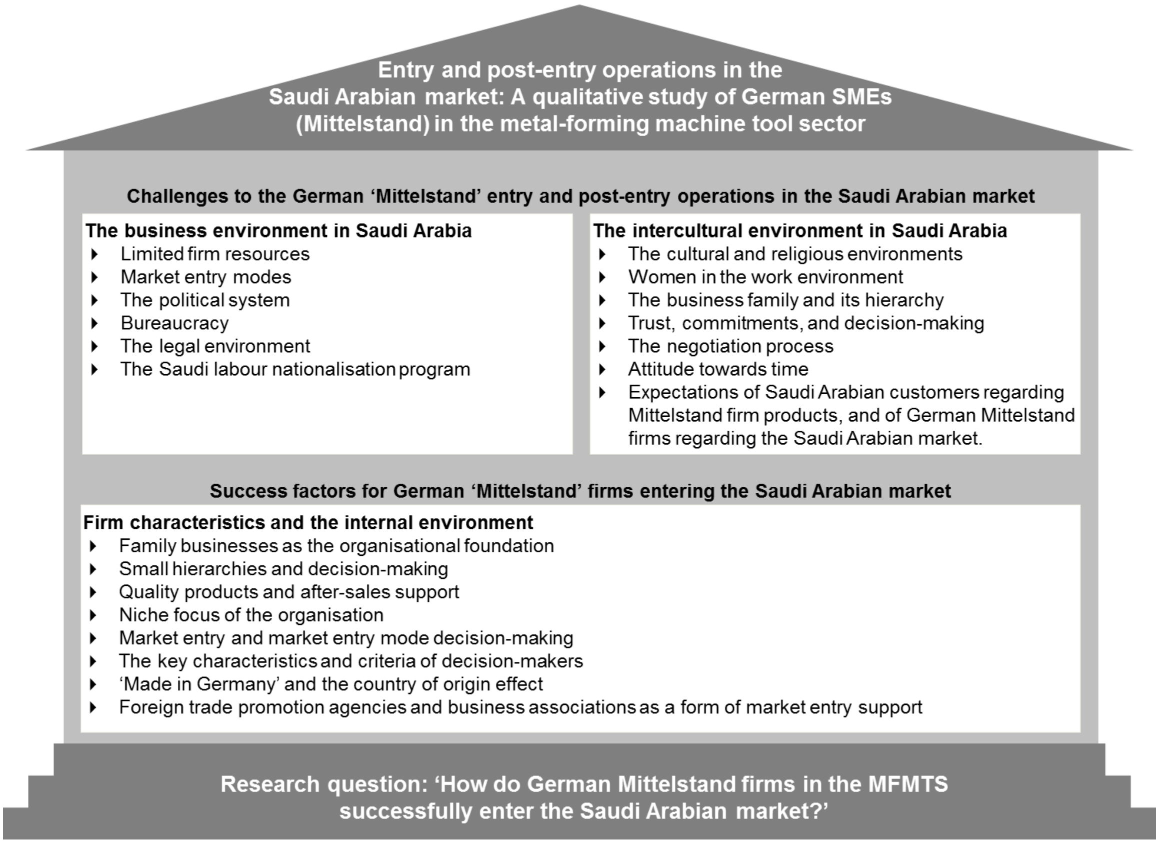


Figure 27: Visualisation of findings within the research question context

Source: Constructed by the author.

5.3 Success factors for German Mittelstand firms entering the Saudi Arabian market

5.3.1 Theme A - Family businesses as the organisational foundation

Block and Spiegel (2011) highlight the importance of the link between family businesses and the German Mittelstand. They argue that most Mittelstand firms have a direct or indirect link to the founder or the founder's family, and that this has a sustainable effect on the firm and the local economic environment. Welter, May-Strobl, Wolter, and Günterberg (2014) furthermore highlight that most Mittelstand firms are family-owned businesses, but state that the enterprise size is not a qualifying criterion for the Mittelstand definition. All organisations that were represented by the interviewees in this study have their roots in family businesses that have been transferred from generation to generation. Nowadays the owners of the organisations mostly keep themselves out of operational business but are involved in strategic developments that involve entering new markets and further developing existing ones, as highlighted by Interviewees 3 and 7. All interviewees described their organisations as small to a maximum of medium in terms of size as, according to the interviewees, this has structural and organisational benefits that favour fast and un-bureaucratic decisions to which the owners contribute.

> *My father, who was born in 1928, finished his studies in 1954 and both together [with the uncle] then founded the company […]. Interviewee 1*

> *You need to see them [the family who owns and leads the organisation] as consultants. If they realise that something is moving in the wrong direction, then they steer. The owner still has a few operational tasks that he takes care of. Due to this, the family is always a good sparring and ideas partner, which still leaves you some freedom. I think this is very important for our team. It means that we are a big and strong team, while the family spirit and style, the thinking, moves through to all employees. Interviewee 2*

Thus, this empirical evidence agrees with the existing literature on the strong link between family businesses and Mittelstand firms, while all firm and support-type representatives confirmed that their businesses or the businesses that they represent could be classified as small to medium in terms of size.

5.3.2 Theme B - Small hierarchies and decision-making

Berlemann and Jahn (2016) state that one of the major advantages of Mittelstand firms is their small hierarchical structure and, as a result, their quick decision-making for all sorts of decisions that may be necessary. Audretsch and Lehmann (2016) confirm that, in particular, the small hierarchies within Mittelstand firms are a competitive advantage as decisions in favour of customer requests can easily be made, which results in a higher level of flexibility and responsiveness. While traditional SMEs might also have small hierarchies and relatively quick decision-making processes (Todorov & Smallbone, 2014), the major difference compared to Mittelstand firms is in the combined forces of 'ownership' and 'management', which is a unique feature and favours the decision-making speed.

> *I always like to say that we are a lovely, small to medium-sized company – even if we are a little bit bigger. However, as we are a family business, our decision times are very quick. In addition, the organisational structure favours those quick decisions. Only through that can you gain many positive synergy effects. Interviewee 2*

> *Within our headquarters we gladly have a structure that favours a low hierarchy. Decisions are accordingly very quick. Interviewee 4*

Existing findings regarding the quick decision-making can thus be confirmed by the primary data that were collected and analysed in this study. The relationship between ownership and management was existent in all participating Mittelstand firms: the owners were partially operationally active, while in a few other organisations they were more passive and mainly involved in strategic decisions. In addition, these findings confirm existing literature in relation to low hierarchies within Mittelstand firms. Both the low hierarchies and the quick decision-making behaviour were also confirmed by the support-type organisational representatives.

5.3.3 Theme C - Quality products and after-sales support

Welter et al. (2014) note that most Mittelstand firms provide labour- and production-intensive products, in particular in the MFMTS. As a result, stringent cost control as well as profitable production and distribution channels are necessary. Furthermore, due to the higher adaptation possibilities and flexibility of customer solutions, most machinery is highly complex, which the authors argue increases the costs yet also saves the industry from competitors. In this vein, Interviewee 1 stated that his machinery is clearly more expensive than that of his competition, which tries to convince customers with lower quality products and an intense price competition. Thereby, the Mittelstand competition according to him comes from all around the world: mainly from neighbouring countries, but also from emerging players in Turkey and China.

> *We cannot compete with every price: we lose certain customer groups that do not want to pay our prices, but we do not fight for those customers. Interviewee 1*

The view of Interviewee 1 confirms existing literature regarding the pricing of Mittelstand products, while at the same time highlighting the need to constantly further develop the organisation, products, and services in order to keep up with the increasing global competition.

Product adaptation

Haasis, Fischer, and Simmert (2007) and Zentes (2012) argue that one of the keys to success in the German Mittelstand is the ability to adapt existing products to customer and market requests in order to create a competitive organisational benefit over competitors. All organisational representatives who were interviewed confirmed that their own organisation or the organisations that they represent put a major focus on the in-house production of world-class products. All necessary parts needed for the production are available just-in-time and, as per customers' requests, can be adapted to the local market in order to build specific machines that suit their need in an ideal way. Interviewee 8 highlighted that this is part of the organisational commitment and strategy regarding the customer: having the right support and solutions at any time, even if the customer does not want to buy a new machine but a used one instead.

> *We have our own production facility here at our headquarters; we produce everything here. We do have all parts in stock, we do have a big toolkit, and everything is in stock here with us. Interviewee 4*

The interviewees thereby confirmed the existing view within the literature that flexibility in terms of product development and support is one of the key criteria for Mittelstand firms to stay successful.

In their study of SMEs entering markets abroad, Geyer and Uriep (2012) indicate that Mittelstand firms are often more flexible in product adaptation to customer requests than MNEs are. Within this study, the vast majority of products need exhaustive consultancy and technical feasibility studies before they can be manufactured. Thus, a certain flexibility in production volume needs to be accepted by the organisation, as most organisations only produce in relatively low volumes but with highly complex options. Most organisations make use of previously designed and manufactured solutions in the form of build-kits, whereby pieces can be used from previously built machinery and adapted to customer requirements. This complexity and adaptation flexibility relies on intense consultancy, which is resource intensive, even before the machine can be produced for the customer. Interviewee 2 mentioned that this time- and resource-intensive process has the advantage for the Mittelstand organisations that customers normally do not change their machinery suppliers on a regular basis, particularly as spare parts and support can often be offered, even for old machines all around the world. Furthermore, the interviewees noted that spare parts and services in the form of after-sales contracts that are often bought together with the product are an additional form of customer loyalty and an additional source of income.

> *The coordination, the engineering in the beginning is very typical. This is the intensive consultancy in our work. If it is a very simple request, we can get it done within a week. If it is something very complex and the customer has special requests, it may take two years. The huge advantage of this is that, once you are the preferred partner who did the engineering of the product, you stay the partner for a quite long time. Interviewee 4*

> *Then we take a look into our tool kit. We built it up over the last 40 years. And then we check what we can fit together [...] And then he [the customer] receives the product, specialised and perfectly fitted as per his needs. Interviewee 4*

The data analysis agrees with existing research on the product adaptation flexibility and customer focus of Mittelstand firms. Developing and manufacturing toolkits help to re-use similar parts of the machinery, whereas the developing costs are only incurred a single time – yet the part may be used within various machines, which increases the return on investment.

Long-lasting product support

Cohen, Agrawal, and Agrawal (2006) describe the need for businesses, and in particular SMEs, to focus on service excellence. The authors argue for a natural saturation within the pure sales business, be it through an economic slowdown, increased competition, or decreasing margins. The service business, if done properly, can show the customer the real value of the delivered machinery, sustain long-term relationships between the manufacturer and the customer, and be a profit-rich area in which the competition may not be too aggressive, depending on the machine specifics. Interviewee 2 mentioned the long-term machinery and after-sales support as a major strength of his organisation, as support can be offered for machines that were built and installed many decades ago. Due to the intense price competition, the German business model has been adapted and developed further. The German Mittelstand firms, according to the interviewees, realised that the money in their machinery lies, on the one hand, in the initial sale of the machinery and, on the other hand, in the after-sales business.

> *You are able to receive models from other regions in the world for a cheaper price. That is just what one needs to know. […] we have sold more than 900 machines in the [Middle East] region and we can still deliver spare parts for machines that are more than 40 years old. Interviewee 1*

> *As you can earn more in the after-sales business than anywhere else, our strategy is clearly focused on service – service growth and development. Our experience in such a region is that customers like to buy from Germans, like to buy from the OEM [Original Equipment Manufacturer]. And there, clearly the statement 'first come, first served' applies. If we are fully present in the service, in spare parts, we have very few competitors. Interviewee 5*

The literature reviewed in this study was not focused on the machinery of Mittelstand firms and their after-sales business. Furthermore, one additional aspect that was not yet seen is the major focus on and energy dedicated to the after-sales business of machinery. Contrary to the existing global sales competition, the after-sales business, if done in a reliable way and as one of the first movers, can be an additional and reliable source of profit for Mittelstand firms.

Product specifications and norms

The colonial history of the Middle East and Saudi Arabia can still be seen in the technical product specifications that need to be fulfilled in order to sell, distribute, and use machinery from abroad. The machinery should consistently fulfil one of the major international technical specifications and norms (Saudi Standards, Metrology and Quality Organization, 2016). Interviewees 2 and 4 stated that their machinery would fulfil the German, European, and American technical specifications and norms, and that only small modifications (i.e. in terms of Arabisation) would be necessary in order to fulfil the Saudi norms and standards, which are derived from existing international norms. Operationally, the climate in Saudi Arabia requires certain technical adaptations, as the local temperature and weather conditions can reach peaks between 50ºC and 60°C in the summer. Nevertheless, Interviewees 4 and 5 mentioned that this would be nothing special for the German Mittelstand, as Saudi Arabia is not the only 'super-hot country' in the world and, in any case those technical adaptations are customer-specific and would – upon special request – be integrated into machinery in other parts of the world.

> *Obviously, there are always some requests that are related to the final location of the machine, but that is what we take care of anyhow. Clearly, if the machine is used in the desert with different temperatures [compared to the German ones], we might need to reinforce something in the machine. But this is daily business: we adapt to customer requests and their environment. This is no technological specification – the base stays the same. In the end, these are just execution adaptations. Interviewee 5*

The data collected in this study regarding the technical specifications and norms of machinery within Saudi Arabia confirm existing knowledge. As global norms are applied within Saudi Arabia, the interviewees from the Mittelstand firms confirmed that they are able to fulfil the requested requirements. The clarification of the interviewees regarding the climate conditions in Saudi Arabia confirms existing knowledge about the operation of machinery under challenging climatic conditions, such as in Saudi Arabia.

5.3.4 Theme D - Niche focus of the organisation

According to a recent study conducted by Tiwari, Rajnish, Buse and Stephan (2014) and the research of Feldmeier et al. (2015), Mittelstand organisations seek 'profit-rich' product niche segments while ignoring mass volume production. These authors conclude that high-class, profit-rich niches are necessary for German Mittelstand firms due to their asset- and resource-intensive businesses. Otherwise the best-in-class products, which many of the firms create, lose their quality advantage over other manufacturers, and then the premium price that is often paid for the quality of the product is no longer sustainable. All Mittelstand organisational representatives who were interviewed have in common that they produce highly complex products that require a high technical understanding from both the supplier and the requester. As a result, the customer base for Mittelstand organisations is limited compared to mass volume suppliers. Customer acquisition, positive references, and existing customers are therefore crucial to be able to maintain production, engineering, R&D, sales, turnover, and profit at a stable level.

> *Eighty-five per cent of our products are no longer being sold in Germany, and rarely in Europe. Interviewee 5*

> *And our philosophy is that our products need to be explained well and are consultancy-intensive. This means that apart from some spare components that the customer may be able to buy directly from our catalogue, it is useful to get in touch with our sales department to get the best solution for our customers, while talking about the application, installation, engineering and so on at the same time. Interviewee 8*

The conducted data analysis agrees with existing research on the niche focus of the Mittelstand firm. Due to the product flexibility and adaptation, but also the limited customer segments, profitable products and services within a niche help to sustain and generate the necessary profits for further product and service development.

Lahti (2014) observes that the major advantage of a niche, from an organisational perspective, is that a niche makes volume competition unsuccessful and at the same time avoids (foreign) competition and plagiarising competitors, as most organisations within a niche are highly specialised. Most Mittelstand organisations that were represented in the interviews are world leaders in their product and service line, often as a result of finding a profitable product niche. This niche, and subsequently the product line, requires much flexibility in terms of machinery components, and also in terms of special requests, depending on the market and customer situation. This resource-intensive process – in line with the statements by Lahti (2014) – targets possible competitors and aims to keep the competition and possible plagiarism away. In this same vein, as part of their long-term study, Venohr and Meyer (2007) investigate the success factors of Mittelstand firms in global competition; they concluded, among other factors, that Mittelstand firms could achieve global leadership by positioning themselves in a niche. In addition, according to the authors, niche firms are able to capitalise their resources globally and more relevantly.

5.3.5 Theme E - Market entry and market entry mode decision-making

In their study on manufacturing Mittelstand firms that entered foreign markets, McDonald et al. (2003) state that the Mittelstand firms they reviewed did not follow 'born global' behaviour, as this would not reflect their organisational and historically grown structure. They suggest that one major factor is the attitude towards risk. As Mittelstand firms take a risk-averse market entry approach, according to the authors, these firms tend to enter markets in stages, and primarily markets with a close psychic distance to their own home market, before entering markets with a large psychic distance. Interviewees 2 and 5 confirmed this view and stated that their firms tend to act risk-aversely in their general business behaviour, and in particular when entering foreign markets.

> *If the legal side in Saudi Arabia were to change, we could think about greater involvement. But as the legal system is as it is, I am quite sure that we will never be part of a joint venture. […] It begins with the liability and dispossession through the government. […] Our legal understanding is that we are dealing with a totalitarian government that shows a tendency towards state arbitrariness, in particular towards foreign and foreign-owned firms. […] So I really cannot imagine anything more than a distributor in the near future. Interviewee 2*

> *We are not yet ready for the next step [in the market entry and post-entry process from a joint venture to a wholly owned subsidiary] after all the trouble we had and now we are slowly moving ahead. We move slowly. We do not want to take the risk too early and crash everything. We are still afraid. Interviewee 5*

Most of the selected theoretical approaches to entering a market (refer to section 3.7) as well as the work of Chetty & Campbell-Hunt (2003) and Gutmann and Kabst (2000) suggest that a market entry process happens in a structured form, in particular as it includes a high amount of resources and risks. In line with the literature around the network view, the interviewed Mittelstand organisational representatives indicated that their market entry efforts are not always structured and can also happen 'randomly'. Examples provided were personal interactions with former customers, existing distributors in neighbouring markets that re-distribute goods to the 'white spot market', or even, as confirmed by Interviewee 9, through an employee's family ties.

> *And as life happens, the employee fell in love [in Mexico, during a machine installation] and came back and wanted to resign to move to his future wife in Mexico. The employer asked him where he intended to work in Mexico, and as the employee*

> *did not know, the employer stated that he [the employee] should work on behalf of the firm in Mexico and develop the market. And since then, this organisation has a salesman in Mexico who works exclusively for us, and the market is booming. These are the kinds of coincidences that you have regularly in the Mittelstand. […] And if you ask why a certain organisation is very strong in certain markets, you figure out that, for example, an employee's brother is the distributor and other similar stories. Interviewee 9*

Interviewees 4 and 5 confirmed that their market engagement in Saudi Arabia was never planned intentionally, but occurred due to existing contacts from customers, as well as due to a contact of a so far unknown distribution group in Saudi Arabia that was keen to represent the Mittelstand firm's products.

5.3.6 Theme F - The key characteristics and criteria of decision-makers

Kraft, Dowling, and Helm (2012) conclude that the international orientation of the Mittelstand firm and the key decision-makers is crucial for organisational performance and success. These findings are in line with the research conducted by Björn (2011), who states that intercultural sensitivity and openness are key to Mittelstand success abroad, independent of the market entry form used by the firm. During this study, Interviewee 9 described the general qualities of decision-makers for market entry and post-entry operations of the Mittelstand organisation as follows:

> *And then you need people who are willing to work. And for this work, you need some intercultural competence, intercultural tolerance. And naturally, apart from that, persistence to push for decisions and to reach for what is necessary. In the end you need a marathon runner, not a sprinter because the sprinter runs ahead and thinks he is already at the finish line. The marathon runner knows that after 100 or 200m he has just started. And after it hurts at 35 kilometres, he knows that he still needs to run 7km. This is the advantage of the marathon runner compared to the sprinter – the same applies to someone who is involved in the market entry process. Interviewee 9*

Key characteristics

Based on information from the interviews, two groups of organisational decision-makers can be distinguished: the senior management and the operational management. The senior management and owners need to have a holistic view and structure whereby the market entry comes at the right time and fits within the overall organisational structure and strategy. Key criteria identified by the interviewees for this group include sound financial skills, a long-lasting industry, organisational experience, and an interest and certain flexibility for different cultures and countries.

> *Take the typical Mittelstand organisation, which installed one distribution partner per country that it needs to steer. Then it is obviously a challenge to be sensitive to all the different cultures. He also needs to be able to let the people work for him. […] And this is a point that is part of leadership and management. It becomes even more difficult, as it is not him personally, but independent partners who need to sell the Mittelstand organisation's products. […] Furthermore, he needs to be able to talk to end customers as there may be cultural issues and questions around the local law or payment terms. Additional country-specific knowledge about what to do and how. Lots of it is also experience that one has collected over the years. […] Then, besides leading people, building up subsidiaries is always a bureaucratic obstacle. Again, with time and experience, it gets better. If you know how to set up an office in China and how the set-up in India worked, you are no longer shocked when it comes to market entry in Saudi Arabia. Interviewee 9*

For the second group of decision-makers, the operational management, more operational and interpersonal key characteristics were identified: on the one hand, operational management members must be technical experts with a profound knowledge of the machinery and the technical details behind it. These characteristics are particularly important, as Mittelstand products are technically complex with a high need for consultancy and background information about the product. Furthermore, operational management needs to be culturally aware of its business partners, who often have a different cultural, religious, and economic background. The interviewees identified local expertise and strong networks abroad with key contacts as crucial.

> *I would suppose it is the openness. With my experience, Saudis see us [Germans] as technical experts. This means that when we come and visit the market, the expert always comes. In addition, if one brings in a high affinity with other cultures and a certain openness to the business and moral thoughts plus the option to integrate oneself into the family structures, then you can be successful. Interviewee 2*

Interviewee 8 described key characteristics of his operational staff as a mix between pioneering, taking risks, and building something from scratch, often under difficult circumstances, while being a people person. Furthermore, he identified that his staff need to have a mix of strategic thinking and operational action.

I would describe it as 'diversity'. You need to have people who are keen to do something new. They need to have a certain openness to risk, not only for oneself, but also for company decisions. They need to be pioneers, onside with the customers from scratch and able to develop the market. On the other hand, and this is a typical Mittelstand request, one needs to be able to think strategically and develop a vision of how the market might look in three, five, or seven years. This mix is what makes those people successful. The good salesman lacks the strategy and vision parts. If in doubt, he runs from customer to customer and looks for what he can do. But this is not enough. The strategic mind in a big MNE has a vision of how he wants to develop the market, but he does not know if he should grant the customer a 30 or 35% discount. Therefore, this mix of strategic and operational skills, in a pioneering way and often under difficult circumstances, is what is necessary. Once the market is saturated, then these kinds of characters are no longer needed. Then you have a normal operational sales team that follows up on the day-to-day business. Interviewee 8

While all Mittelstand organisations would like to have an operational management team with the key characteristics and criteria identified above, it is naturally difficult to find personnel who will bring the necessary experience, skill set, knowledge and willingness to exhaustively travel to foreign markets or even to stay abroad for some time to support the organisational development.

You need to like those countries [like Saudi Arabia], yes. If you are facts and figures oriented, then you better go somewhere else. Interviewee 10

Naturally, it needs to be someone who knows the local customs and who can easily acclimatise to the local structures and relationships. Particularly in Saudi Arabia, which is a challenge. We do find it hard to find good candidates from Germany or the Western world who we can relocate to there. We struggle heavily with this. And the ones who would potentially be interested are not always the best. Interviewee 5

The findings within this theme are in line with the existing literature regarding the characteristics of decision-makers. This theme in particular extends existing knowledge by highlighting the two decision-maker groups (senior and operational management) and the key characteristics sought by Mittelstand firms. At the same time, a particular focus of the interviewees was put on the intercultural sensitivity and knowledge, which represent a key criterion for success in the market entry and post-entry operation phase.

Trust in the decision-makers

One additional key criterion identified by all interviewees was the concept of trust during the market entry and post-entry operation phase between the Mittelstand firm parties and possible external partners.

> *The relationship to our partner is still one of the old, good hand-shake businesses. Within time a common trust basis was established. On this basis we talk and act. Interviewee 5*

> *To gain the trust and reputation, one needs to work hard and long. And once you have the trust of your partner, many things can be sorted. But this really takes time. Interviewee 7*

> *To recognize, if you are trusted and respected by your partner is difficult. You need long and intensive contacts until you finally know where you stand. Interviewee 8*

Fink and Kraus (2007) review European SMEs and their mutual trust in internal and external partners as a key to market entry. The authors find that mutual trust between partners has positive, financial effects for both partners. Venohr, Fear, and Witt (2015) argue that the concept of trust is deeply embedded in the DNA of the Mittelstand firm and plays an important role not only during the market entry and post-entry operation process, but also during the customer acquisition phase, maintaining the relations with existing customers as well as with the local community. The interviewees highlighted that the operational manager in particular needs to be trusted by the (local) partner in the market abroad, be it a subsidiary or an independent partner, as well as by the Mittelstand's senior management, by listening to and acting on the operational manager's suggestions and comments.

The findings thus confirm existing knowledge on the concept of trust in the Mittelstand firm and its operations, yet also clearly highlight that without trust a market entry into Saudi Arabia and its subsequent post-entry operations are likely to fail.

5.3.7 Theme G - ‘Made in Germany’ and the country of origin effect

Originally, the tag ‘Made in Germany’, imposed by Great Britain in the 19th Century through the British Merchandise Marks Act, was aimed to negatively brand German products by more clearly differentiating them from British products (German Federal Ministry for Economic Affairs and Energy, 2012). Nowadays, this tag is one of the key quality promises of the German industry, and in particular of the German Mittelstand firms (Audretsch & Lehmann, 2016).

> *The English did us a favour when they branded our products ‘Made in Germany’ over 100 years ago. This still pays out today. Originally, their intention was to create a negative branding, and that then transformed into something positive. Interviewee 9*

Feldmeier, Lukas, and Simmet (2015) and Venohr, Fear, and Witt (2015) argue that high-quality products that are ‘Made in Germany’ are part of the global economic success of Mittelstand firms, while at the same time raising awareness that this form of trust in German services and products should not be lost. A similar message is transferred by Meyer-Ross, Haubold, Hähnlein, Leisenberg, and Falkowski (2014), who describe ‘Made in Germany’ as a door opener and an advanced form of trust. Interviewee 9 outlined the basic principles and differentiation standards of ‘Made in Germany’: according to him, the slogan finds its background in technically based discussions and solution orientations based on flexibility and quality for customers. Interviewee 1 described the characteristics of the slogan as depicting products made and engineered in Germany as secure, reliable, and of high quality.

> *The German MFMTS thinks in solutions. In particular, in product and special solutions in order to deliver an added benefit to the customer. Due to this perspective, we do talk in technical terms. Interviewee 2*

These findings reveal consistency with existing knowledge regarding the claim ‘Made in Germany’ and confirm the still strong image and linked expectations of German products and services. While there is a need for action (see upcoming paragraph), German Mittelstand firms in the MFMTS are still making active use of the ‘Made in Germany’ tag and claiming their products accordingly.

'Made in Germany' and pricing

Börner (2015) confirms that, even now, 'Made in Germany' is still important for internationally active Mittelstand firms, yet it can no longer be seen as the sole argument in favour of buying a German product. According to him, in particular during challenging economic times, pricing becomes increasingly important. All interviewees confirmed that the tag 'Made in Germany' is still of high value and a door opener for existing and new clients. As has been the case in the past, global trade and new competitors have not changed the so far successful business model. Nevertheless, Interviewee 9 indicated that although the branding of 'Made and engineered in Germany' is still highly successful, nobody in Saudi Arabia blindly buys German products without comparing the technical, operational, and financial implications.

> *Made in Germany, that still works out. It is the same as with our own products. One wants a good quality product, a product with a good name and branding. Obviously, you also look at the price tag. That means that 'Made in Germany' is not enough to sell everywhere and believe that everything will be paid for. Interviewee 4*

> *What we realise is that during tenders, only the cheapest gets the deal. As we are 'Made in Germany', we are more expensive most of the time. Our customers always tell us: 'We want you; we do not want the others'. Then the tender submission and the opening bid happen and we are number 4 of 5. They then do not care any longer and go with the cheapest. 'Made in Germany' has a high standing, but currently there is a massive price war, at least in our areas. […] The customers complain and tell us: 'We want your quality, we want you, what the others are doing is of poor quality', but they do not want to pay for it. So currently, paying for good quality is our main issue. Interviewee 7*

> *I think, as a door opener, 'Made and engineered in Germany' is still a successful claim. In addition, I believe that German virtues such as quality, reliability, and so on still have a positive reputation. Moreover, as mentioned, this is particularly important to get to talk, to open the door. However, when we are talking about the specific contract and the steps ahead, this premium can no longer be found in the price. They are not willing to pay an additional premium for 'Engineered and made in Germany'. We are in the same negotiation loop as all the other suppliers from different cultures and countries. Interviewee 8*

> *'Made in Germany' still has a quality advantage. Nevertheless, the feedback that we often receive, particularly from the service sector, but also from the goods production sector, is that this is no longer enough. There is a tough price war and increasing global competition. So, in those countries, it is important to have a tag such as 'Made in Germany' and at the same time to know the right people, to have the right partner. Interviewee 10*

In line with Oliva and Kallenberg's (2003) work on the transformation from pure product to service offerings, Interviewee 1 mentioned the importance of regular servicing and proper training for the end user in order to keep customer satisfaction at the highest level. As stated by this interviewee, most south-western German Mittelstand firms service their machinery in Saudi Arabia through 'fly-in technicians' who are based in Germany and who travel in for maintenance and other support services.

> *They maybe go there, check the machine and note down where there is a repair need. However, we then only do the repair from Germany, as we realised that once you do that via a support partner in the region, it does not work out. You initially deliver a machine with high-quality components. Then they touch the machine and substitute and within time, you have a German cover, but the inside is of questionable content. Because of this, we go the via Germany route. Obviously, this high cost needs to be borne by our customers. Moreover, yes, there are always discussions. From the moment you send a German engineer to the machine, time ticks. However, this is the only way that we proceed. We send the German engineer to check and repair the machine. Interviewee 1*

In line with existing knowledge, the interviewees confirmed a transformation process with regard to their product advertisement. In the past, the tag 'Made in Germany' was a sole buying argument the KSA. As the economic situation in the KSA has transformed due to the low oil price, however, an intense price competition has grown. Decision-makers' personal networking component seems to be important in the KSA in order to be included in tenders. This extends existing knowledge.

Proof of 'Made in Germany' in the KSA

The Saudi Arabian authorities request that manufacturers provide documentation about the manufacturing and exporting organisations as well as special country of origin certificates, which state that major parts of the machinery were built and assembled in Germany (DHL, 2015). If the decision is made to purchase German machinery within Saudi Arabia, contracts often include a clause that the engineering and, in particular, the manufacture of the machine need to happen in Germany. There are also provisions for the clause 'Made in Germany' within the German legal environment (Bernstorff, 2009). A recent and final German court decision confirms that 'Made in Germany' as a claim is only valid if the majority of the product was manufactured within Germany (Höfener, 2011). Furthermore, this needs to be proven by the supplier in the form of certificates of conformity, as stated by interviewees 1, 4, and 7.

> *The Saudis, under all circumstances, want to avoid 'Made in China' machinery. They are not keen on it at all. Therefore, they look at the certificates – what is written on them. It needs to be fixed onto the machinery. It needs to be clear and transparent where the machine comes from. Sometimes even further support documentation in the form of certificates or inspections from German or European testing institutes is needed that proves the origin, and that certain norms and regulations were followed. There are markets that put a major focus on this. Saudi Arabia is one of those. Interviewee 4*

> *This is still a strong sales argument, even in Saudi Arabia. In the contracts for our machines, […] where the machine needs to be engineered and produced is mentioned. And, what is more explicitly mentioned is that the machine should not, for any reason at all, be engineered and produced in China. Interviewee 5*

The country of origin effect with the claim 'Made in Germany', in line with the literature, is still an important trademark for German Mittelstand firms in the MFMTS. Together with existing networks and personal relationships, it can be seen as a door opener in the KSA. Contrary to times past, however, the trademark is no longer a sole argument to purchase such goods. The firms try to respond by becoming more competitive and offering – besides an excellent product quality – after-sales programs and packages to maintain the quality accordingly.

5.3.8 Theme H - Foreign trade promotion agencies and business associations as a form of market entry support

Within the German industrial context, various forms of support-type organisations exist. In the context of this thesis, the foreign trade promotion agencies focus on, in addition to other areas, offering market entry support to German organisations, mainly in the Mittelstand, to overcome knowledge and resource restrictions. In addition, most organisations are organised within relevant business associations (German Federal Ministry for Economic Affairs and Energy, 2016; German Federal Office, 2015).

Support-type organisations to overcome resource restrictions

While most of the Mittelstand organisations in the machinery industry are, in general, successful and can adapt to customer requirements and special requests rapidly due to their lean and straightforward structure, they often suffer from a lack of resources, such as adequate staff or finances to expand into new markets as mentioned by Hessels and Terjesen (2010); this was mentioned by Interviewees 2 and 9. This is where the traditionally strong local Chambers of Commerce and foreign trade promotion agencies, in close cooperation with the business associations, come into play and support the market entry and development through market visits, fair trade abroad, and business days or conferences about the legal, economic, or cultural requirements for a market entry. Hauser and Werner (2009) confirm the positive link between the German foreign trade promotion agencies supporting to overcome market entry barriers and an increase in sales due to the support of the foreign trade promotion agencies for small organisations; on the other hand, larger organisations with the necessary resources do not benefit from those types of organisations.

> *[…] we are an export-oriented federal state. […] because of this, one of the major economic points is the support of foreign trade with our own government-owned company. In particular, the Mittelstand needs support with market entry abroad as they often do not have their own departments for this. […] And for those organisations that strongly support our economy, we offer internationalisation and political support. This may happen in the form of fair trade arrangements, business days and so on. And for markets that are, for Mittelstand organisations, hard to enter as they differ culturally or legally from ours, we offer delegation trips to get to know the country. Interviewee 10*

Fletcher and Harris (2012) particularly focus on the knowledge acquisition of small firms when entering foreign markets, and argue for government-supported programs that support knowledge acquisition and transfer in order to be globally successful while keeping in mind the natural resource constraints of small firms. The authors argue for an organisational learning culture, mainly to understand the cultural differences abroad. Specifically, the authors highlight that this includes the current management team, as the current understanding of cultural knowledge may be limited. The focus on further development of the market entry process and entrance to new markets becomes increasingly crucial as most organisations within the research scope sell the majority of their products and services outside of Germany and the EU; this was also mentioned by

Interviewee 2. In addition, the globalisation and relocation of complete industries around the globe further strengthens the need to be aware of opportunities, as highlighted by Interviewee 6, while there also need to be opportunities to further develop the market entry plan and the organisation's strategy.

> *There are two reasons. One is that we need to follow our customers. Their globalisation automatically results in globalisation of the suppliers, which we are as well. This is one effect. The other effect is that our internal, organisational need for growth is not in line with supply by the German or the European market. And our organisation realised very early on that we can provide better results if we grow accordingly. And if the local market cannot supply accordingly, the move abroad is the logical step. Interviewee 8*

Interviewee 10 summarised her organisation's function as a support organisation with the following statement, which highlights their main business functions: providing the necessary information that is relevant for Mittelstand firms and providing networking opportunities.

> *The most important point when you start your market entry project is information, information, and information. And where do I receive it from? And, in the second instance, one needs contacts after considering the feasibility of going abroad. And where do you receive information [and contacts] from if you do not have your own [market entry] department? Interviewee 10*

The above findings confirm those in the literature on missing resources within SME/ Mittelstand firms and the need to gain more in-depth knowledge and information about markets abroad. Representatives from SME firms in this study confirmed that they do not have enough in-house resources and knowledge about the market entry and post-entry operations in the KSA to be successful in the long run. The representatives of the support-type organisations confirmed this view as well, and stated that their diverse offerings are being used increasingly often. As a result, it can be concluded that the existing foreign trade promotion agencies and business associations have their stake within the success of German Mittelstand firms and their desire to enter and operate in the Saudi Arabian market.

5.4 Challenges to the German Mittelstand entry and post-entry operations in the Saudi Arabian market

5.4.1 The business environment in Saudi Arabia

5.4.1.1 Theme I - Limited firm resources

Lloyd-Reason, Ibeh, and Deprey (2009) highlight the key barriers to SME market entry and argue that one of the major issues is limited firm resources. As examples, the authors mention limited working capital to finance exports and closely related financial resources. The German Reconstruction Credit Institute (KfW; 2012) states that, besides financial resource constraints, one of the key barriers faced by German Mittelstand firms are a missing management capacity as well as overall organisational resource constraints. Kay, Holz, and Kranzusch (2014) further note that existing limited firm resources often act as additional key barriers of German Mittelstand firms by keeping them with the wrong business partners, by maintaining overall costs of the firm that are too high, or by preventing them from being able to attract enough qualified personnel.

> *And we then try to find a suitable distribution partner. This sometimes works out, sometimes fails. […] Ten years ago we for sure had no idea who plays a role within the Middle East. […] Then we started to become more pro-active. We installed fixed partners, visited partners, visited trade fairs. We started to figure out who the competitors of those partners are. We changed a few partners, sometimes because the other one was just bigger, was able to provide more resources and commitment. And then we figured out where our real end customers are. Interviewee 4*

> *Take one of the typical German Mittelstand firms, which, as mentioned just now, most of the time has only one distribution partner per country, which needs to be steered accordingly by the manager in the headquarters. This naturally is a challenge, also with all of the different cultures. Interviewee 9*

> *In particular in those countries [Middle East and in particular KSA] it is at least as important, just like with the 'Made in Germany' tag, to know the right people, to have the right partner. It is simply to have the right connection to the decision-maker within this hierarchical confusion in the KSA. And simply a partner who has the necessary trust of potential customers – most of them are related to governmental areas. Interviewee 10*

In line with the existing SME and Mittelstand literature, this study agrees that Mittelstand firms in the MFMTS have limited firm resources. Regarding the market entry of the Mittelstand firm, existing intercultural knowledge, wrong impressions about the market entry process and the market itself, and missing local contacts to possible business partners and customers were identified as key barriers.

5.4.1.2 Theme J - KSA-specific applications regarding the applicable market entry mode

Sui and Baum (2014) argue that certain market entry modes and strategies may only be favourable for certain organisational forms. In particular, they argue that certain market entry modes may not be feasible for certain organisational firm types. Independent of the market entry strategy and the preferred market entry mode, Kontinen and Ojala (2011b) state that a local, knowledgeable, and trustworthy partner is necessary in order to set up post-entry operations and attract further business. The upcoming sections and interview statements confirm this view, due in particular to the existing local challenges and market and operational barriers, as will be highlighted below.

Feldmeier and Hansen (2008) note that SME firms do not follow a structured and strategic market entry approach, contrary to what is suggested by various research contributions. Within the context of this thesis, the impressions of Feldmeier and Hansen (2008) can be confirmed. While a broader organisational direction could be seen with all the firm representatives who were interviewed and who work with distributors abroad, most of them lack local market knowledge and met their distribution partners by chance at some time in the past. Contrary to the other organisations and the statements made by Feldmeier and Hansen (2008), however, Interviewee 4 represents a firm that mainly relies on a staged market entry approach while gradually increasing the market commitment (for example, by further additions in the product line that could be of interest to the market). Furthermore, the organisation does not grant any exclusive agreements to independent partners as part of its direct sales strategy to end customers – there is no independent distributor between the Mittelstand organisation and the end customer. Even if a distributor exists, all distributor agreements include a clause that direct sales between the manufacturer and the end customer shall not be prohibited.

> *We have not yet installed a real distributor in Saudi Arabia. So far, we have sold to five different organisations in Saudi Arabia. Three of them are manufacturers; they*

> *buy regularly from us. The other two are sales organisations; they buy sporadically. Interviewee 4*

The vast majority of organisations represented in this study do not enter markets in a structured and staged form. This agrees with Feldmeier and Hansen's (2008) view, although one organisation has moved away from the unstructured approach and aims to follow a more staged approach in order to gain insights from previous market entry.

Market entry through a foreign trade partner

Entering the Saudi Arabian market can occur in various forms (refer to sections 3.6 and 3.7). Kay, Holz, and Kranzusch (2014) analyse Mittelstand market entry activities and state that foreign trade partners (who often represent a number of machine manufacturers at the same time) are one option for entering a market with limited resources and know-how by making use of their international expertise. Kranzusch and Holz (2013) argue that foreign trade partners can be a step to enter a foreign market and avoid major risks. In addition, this market entry mode can be used to test whether the firm's products are accepted by the market abroad, as the local contacts of the foreign trade partner can be utilised. Interviewee 1, who is a German foreign trade partner, suggested that Mittelstand firms use a foreign trade partner to take care of the local market presence abroad by acting as an intermediary between the Mittelstand firm and the local customer in Saudi Arabia. This foreign trade partner could be either a local partner in Saudi Arabia or a German-based foreign trade partner, as is Interviewee 1. According to him, the advantage is that a foreign trade partner, compared to other distribution channels has the local knowledge, expertise in the areas of trade, and no hidden interests, which might exist with a sole agent and distributor.

> *You might not be surprised about my answer, but I would definitely let him know that working with a foreign trade partner is best. Obviously, this does not need to be us, but can be anyone who has the necessary expertise and networks. There are quite a lot of organisations that specialise in global trade. […] Additionally, as a Mittelstand organisation I would just try to sell directly to end customers, and then with a foreign trade partner. The mark-ups we take for our services are, for sure, more in line with the market than what your Arabic distributor or dealer might take. Interviewee 1*

Foreign trade partners are becoming particularly relevant for smaller Mittelstand organisations that lack time, knowledge, and local experience as well as resources. Interviewee 1 stated that Mittelstand organisations often say that, due to their size, they do not need to be everywhere with a fully owned subsidiary.

> *There are lots of people who tried it and realise that they, by themselves, do not need to be everywhere in the world. We have received this qualitative and quantitative feedback over the last five to six years. Many Mittelstand organisations tried it, closed it, and gave us the business. Particularly in culturally challenging markets such as Saudi Arabia. Interviewee 1*

The arguments presented by the interviewee confirm the view taken within the literature. In particular, the local knowledge of the Saudi Arabian market, the low financial input necessary, and the contacts in Saudi Arabia were identified as useful for Mittelstand firms aiming to enter the Saudi Arabian market.

Market entry through agencies and local distributors

Feldmeier and Hansen (2008) review possible distribution channels for SMEs and find that some of the most often used forms for distributing goods and services abroad are representative offices, often run by local partners and distributors. They conclude that local distributors represent an advantage for the SMEs, as external organisations that are aware of the local customs and business behaviours, and start to develop the market. In addition, those firms provide local knowledge and contacts for the SME, as indicated by Kranzusch and Holz (2013) in their research on market entry of German Mittelstand firms. As a result, they develop the market locally. Furthermore the authors argue that those agencies and local distribution partners are often not selected through a structured pitch approach, but rather appointed after initial contacts, for example as end customers or through trade fairs. As this market entry mode fully relies on externals, the authors highlight the importance of mutual trust between the business partners.

The interviewees also highlighted certain risks that exist with sole agents and distributors over time, as they build up monopolies and act with major mark-ups that cannot be favourable to either the manufacturer or the customer. According to Interviewee 1, in previous decades sole distribution agencies were still acceptable for customers and markets for good reasons (for example, specific market expertise), while those business schemes are slowly dying out as customers are not willing to pay major mark-ups to finance the distribution agency.

> *On the contrary, I would not recommend that anyone form a local joint venture or give a sole agency to a Saudi. I have been in the business long enough to see that the Saudi then may play 'the devil-may-care'. He then starts to sell your products exclusively, but with sole agency prices. This might have worked 15 to 20 years ago, but it doesn't work anymore. You can Google any product and get the price immediately. Then the Mittelstand owner at some point also realises that the Saudi is making a fortune. […] This is one story of the Arab world, and if you take Saudi Arabia in particular, there are still thousands of princes. And I think every Arab likes businesses where no personal engagement is necessary, but the family name is enough. Signing a sole agency contract with a Saudi – that is where I would be extremely cautious! Interviewee 1*

This view was confirmed by Interviewee 2, who stated that his organisation would never start business operations in the Middle East or Saudi Arabia with a fully owned subsidiary, but currently works with independent agencies and distributors. Those agencies are supervised by regional managers as if they were a fully owned subsidiary, which supports the distributor with new contacts and trade fair arrangements. As Interviewee 2 noted, the expected turnover and profit for his organisation is not small, but it is not big enough to take the risk and resource input to set up its own local company. For this reason, the manufacturer is happy to share some of the margins with the independent distributor for its interest in attracting business. In this context, Interviewee 2 highlighted the need for a reliable and connected local Saudi partner, but mentioned that, from his previous experience, this is nearly impossible:

> *And because of this you are always dependent on a Saudi. And if you are dependent on the Saudi, then he may follow other interests [than yours]. […] Even if you are part of a joint venture, you only have one foot in the door. […] And even in a joint venture, if you do not own the majority, you are just partially in. […] I could imagine that in the near future we will not do anything other than a simple distribution partnership. Interviewee 2*

These general findings are in line with existing knowledge regarding the market entry via agencies and distributors. New insights were gained into the Saudi Arabian specifics, mainly that Mittelstand firms should avoid giving exclusivity to local partners when relying on agencies or distributors. Furthermore, insights into the reliability and long-term orientation of Saudi partners extend existing knowledge.

Market entry through a joint venture

Isidor, Schwens, Kabst, and Hornung (2012) review joint ventures in terms of their success factors and how they can be run successfully by understanding the underlying parameters. The authors state that the operational and strategic fit between the partners, previous experience within joint ventures, commitment, and trust (among other factors) all have a positive influence on the joint venture, whereas the cultural, international joint venture, and previous international organisational experience seem to have no influence. Kienbaum, Kabst, and Gutmann (2013) indicate that joint ventures are often used in non-stable institutional environments in order to have a 'foot in the door' while not fully taking the risk, compared to a wholly owned subsidiary. In addition, joint ventures might be enforced by the institutional environment in order to exchange knowledge or to not give investors full autonomy and authority.

Within this thesis, one interviewee represented a firm with a local Saudi joint venture: a few years ago, Interviewee 5 and his organisation set up a joint venture with a local Saudi partner, which exclusively takes care of the Saudi Arabian market in terms of sales and service. This organisation started to develop the Saudi Arabian market early via a distributor and took the opportunity to set up the joint venture with the former distributor. Contrary to the view of Isidor et al. (2012), the interviewee highlighted the importance of a cultural fit between the joint venture partners. Possibly, this could be related to the special circumstances of the joint venture in Saudi Arabia.

It is interesting to note that the Saudi Arabian market is of major importance to the organisational product line. The interviewee stated that headquarters would prefer to localise in Saudi Arabia as much as possible, but finding the right local employees, even with the support of the local joint venture partner, is a challenge. Moreover, the local partner was highly active during the foundation of the organisation, whereas he soon moved out of the operational tasks and responsibility and was only partly reachable. This, in a country like Saudi Arabia where organisational growth and development are reliant on local expertise, content, and employees, is a critical phase. Nowadays, Interviewee 5 thinks that he might not enter into a joint venture agreement in Saudi Arabia if he was in the decision phase, but would try to set up the business by himself as a wholly owned subsidiary.

> *We wanted to have a fixed service point in Saudi Arabia. This was the main reason we entered into a joint venture. As a result of our previous engagement and the industry concentration, the location [on the East Coast of Saudi Arabia] was chosen. Interviewee 5*

Due to his experience, Interviewee 5 suggested that new market entrants should make themselves fully aware of the local regulatory and legal environments. Part of those thoughts and discussions should, in the first instance, be about whether the distribution and service should happen via an independent partner, a partner in a joint venture, or via a wholly owned subsidiary. If a decision is made to start a joint venture, a local partner with a strong industry and legal background should be found to assist in the legal aspects of company set-up, acquisition of residency permits, and liaison on the finance and tax side as well. So-called Public Relations Officers (PROs) offer such services on a consulting basis and assist within the bureaucratic environment in Saudi Arabia.

> *We listened to others in the industry. They suggested going ahead with a local partner. As a result, it was quite clear to us that we needed to do something with a partner and we were quite happy with our existing distribution partner. Then we decided that this was the right partner and went ahead. Then the question of joint venture vs. wholly owned subsidiary was quite soon sorted. We thought the joint venture would be the quicker and better way. Interviewee 5*

In addition, joint venture agreements in Saudi Arabia also have specific tax regulations (for example, that the foreign partner is taxed at a higher rate than the local Saudi Arabian partner). Furthermore, certain industries in Saudi Arabia do not allow the foreign joint venture partner to hold more than 49% of the shares and voting rights, as those industries have been identified and specified by the Saudi Arabian government to be of major economic interest for the country (Clyde & Co, 2013; Kingdom of Saudi Arabia, 2000).

New insights were gained in this study on the specifics of the Saudi Arabian situation; these insights enrich the existing literature. While risks around joint ventures were acknowledged by the interviewee's organisation, it was expected that the local partner, due to the previous, positive experience with him as a distributor, would speed up the business operations as a joint venture partner. The history in this case proved this assumption to be wrong, thereby contributing a practical example of joint venture risks.

5.4.1.3 Theme K - The political system

The host country's political environment, and in particular the general political environment, is of major importance for Mittelstand firms that are entering markets abroad (Majocchi, Valle, & D'Angelo, 2015). Majocchi et al. (2015) state that the political environment has an impact on various operational decisions of firms entering markets, while small firms should be particularly careful when entering politically unstable markets. Besides the general lack of resources of SMEs, the author states that institutional risks in particular are of danger for such firms entering a market. Furthermore, Majocchi et al. (2015) find a close correlation between political risk and financial return.

Critical literature regarding the Saudi Arabian political system is difficult to find, on the one hand due to limited access to journalists and researchers, and on the other hand due to the totalitarian system. In his book, Bradley (2015) highlights the inner crisis of the Kingdom, the ruling family, and the thousands of princes by providing insights into the two contrary belief systems: the current conservative and strict rulings based on the Wahabi belief system (refer to section 2.4.2) and an opening towards a more moderate political system that is less conservatively influenced. Mabon (2012) analyses the political system in the KSA and highlights the on-going internal government crisis and counter measures to avoid an uprising of the Arab Spring, in particular due to censorship and restrictions on the freedom of speech. A leaked draft of a counter-terrorism framework partially presented within the article clearly highlights that criticism of the monarchy and the general political (and thereby indirectly the legal and religious) system shall be muzzled.

None of the interview partners wanted to go into the specifics of the political system in Saudi Arabia, as most of them feared consequences after the potential publication of this research. Even after reaffirming the full anonymity of the interviewees, further information was not retrievable. Interviewee 1 only briefly described Saudi Arabia and the political system as follows:

> *We are still dealing with totalitarian countries, the decision-making is often just linked to a few people. Interviewee 1*

5.4.1.4 Theme L - Bureaucracy

The KfW (2012) reviewed Mittelstand market entry and conducted a survey of top executives to find generally applicable opportunities and risks for Mittelstand market entry. Over one third of the participants stated that the host country bureaucracy hindered their market entry and subsequent post-entry operations abroad.

The link between politics and bureaucracy

Bradley (2015) and Jabbra and Jabbra (2005) highlight the exhaustive administrative and bureaucratic culture within the Arab world and in Saudi Arabia in particular. In both works, the authors argue that these processes hinder the further development of the country and society. In one of the rare scholarly articles about the KSA, Lawson (2011) provides a good overview of the political system and the existing bureaucracy. In particular, the high number of public sector employees favours increasing bureaucracy. This was also confirmed by Interviewee 5, who described the market entry and market operation processes within Saudi Arabia as highly bureaucratic. In the beginning, his organisation thought that setting up the organisation in Saudi Arabia should be easily possible within a few weeks, but the contrary was the case, particularly as registration forms had to be signed by various parties, stamped, approved, and certified. Furthermore, various governmental departments also had to approve, sign, stamp and notarise, while further documents from the German headquarters had to be translated and notarised as well. In total, the entire company set-up process took 18 months before operations started, while the original plan to move to operations was six weeks long.

> *When we made the decision, we informed our supervisory board immediately. We provided the money, opened budgets and thought that within four weeks we could start operations. Then you just need to book a flight and here we go. Way off the mark! The procedure we had to go through was unbelievable: forms and applications. They had to be signed by the Executive Board, the Supervisory Board, and the shareholders. After that, full notarisation of various documents. After that, we needed apostilles, which then had to be notarised again and then had to be signed off by the Saudi Arabian embassy. There were unbelievable long delays and processes. Finally, 1.5 years after the decision was made, we opened our office in Saudi Arabia. Interviewee 5*

Empirical evidence from this research agrees with the existing knowledge regarding a close link between the political environment and bureaucracy in the KSA. Despite calls to reduce bureaucratic and administrative barriers (United States of America - Bureau of Public Affairs Department of State, 2015), operational action has yet to be taken.

Fast changes, missing transparency, and poor communication

The USA Bureau of Public Affairs Department of State (2015) states that transparency in terms of fast-changing legislations and laws or a regulatory system hardly exists in the KSA. Interviewee 1 also mentioned the complex and often changing bureaucratic processes, which he said are often not well thought through, non-transparent, and poorly communicated. His organisation had similar issues as the ones that Interviewee 5's organisation faced when entering the market. In addition, Interviewee 5 complained about the complex and ever-changing conformity and country of origin certifications that need to be included with every piece of machinery or spare parts that find their way to Saudi Arabia. This has direct financial implications for the German headquarters, as the customer will only pay for the machinery once it is received from Saudi Arabian customs. Interviewee 7 commented that the bureaucracy per se could be accepted to a certain degree if proper escalation and complaint procedures existed.

> *In case one was always in a place where laws and regulations existed for everything, where everything was clear, and if this is important for someone. When you are wrong there [in Saudi Arabia], you need lots of flexibility: laws change regularly. Sometimes they are implemented from one day to another, no guidelines exist, and often everything is very unclear. Even Saudis struggle with this. You need to be flexible when coming to Saudi Arabia – with everything! Interviewee 7*

Furthermore, Interviewee 7 mentioned the time perspective in the government processes. He noted that while the country has huge potential – people would be talking about potential projects and upcoming ideas everywhere – until permission is issued from the government side, a great deal of time passes. Because of this, much flexibility and many scenario-planning skills are necessary to survive as a company in Saudi Arabia.

> *It's crazy what kinds of opportunities exist. This is important for new entrants: the potential in this country is enormous; everybody talks about projects and scenarios. But before something finally gets realised, this takes time and you need to have a lot of endurance. Interviewee 7*

The missing transparency and communication around changes within the legal framework, but also policies, as well as bureaucratic and administrative proceedings, slow down the KSA market entry and post-entry operation processes of German Mittelstand firms. The findings of this study are therefore in line with existing knowledge, which is now confirmed within the specific German Mittelstand context. However, the KSA government recently announced its vision for 2030, which aims to increase transparency and communication while reducing bureaucratic and administrative barriers (Government of the Kingdom of Saudi Arabia, 2016).

The Saudi Arabian General Investment Authority

Cullen and Parboteeah (2014) describe the Saudi Arabian General Investment Authority (SAGIA) as a consolidation of various former ministries and departments aiming to provide 'one-stop-shop' services to foreign investors. Services provided include all necessary approvals, licences, and permits to enter and operate in the Saudi Arabian market. Interviewee 9 confirmed the SAGIA promise, but highlighted a discrepancy between the SAGIA mission and vision and its operational actions. The interviewee stated that processes, responses, and actions by SAGIA are still, over a decade later, not yet aligned and streamlined enough for SAGIA to be seen as a competent and foreign-investor-friendly authority.

> *The first major problem is the general reliability of the local processes, the reliability of the local processes when it comes to company foundation, the development of a subsidiary, or even just renewing the license of an existing organisation. The SAGIA, which was originally developed around 15 years ago as a one-stop shop for investors, failed most of the time based on its original job description. One of the original orders was to clean up corruption in the country. For a long time they were participating in that corruption in their own government agency. 'Just going there, deciding to open a subsidiary and expecting to receive the right forms, bringing them back the next time, and then my organisation in Saudi Arabia will be live' – it's not that easy! And even if you've made it, you are operational, and then you need to renew your licenses and others every year. By doing this, you create two sets of staff in every organisation just to deal with the bureaucratic and government stuff. It even gets to the stage that you can no longer operate from time to time because your license was not renewed in time because you didn't receive the license renewals early enough. I think this is one of the biggest problems. Interviewee 9*

Existing literature on the efficiency and effectiveness of the SAGIA was not found by the author of this study. Possibly, this is related to the aforementioned missing general transparency and limited freedom of speech in the KSA. Due to this missing knowledge, this section and its findings contributes to the literature by highlighting a gap between the intended actions of the SAGIA and the operational actions and responses received by market participants.

Visas and residency permits

Contrary to the intended plan to support foreign investment and transfer knowledge in order to support the transformation of the economy (Lawson, 2011), gaining the necessary visas and residency permits for Mittelstand firm expatriates can be seen as a market entry and operations barrier. In their report, Dobbs, Manyika, and Woetzel (2015) highlight the need to further transform the economy and its bureaucratic processes into an environment that is willing to attract FDI with all of its consequences, including foreign workers and employees. Interviewee 1 stressed the time-consuming process of gaining a visa for an employee when there is a high degree of uncertainty about whether the visa will even be granted:

> *Some of the barriers are flying there; and to get a visa is another one. A Saudi visa is expensive and you need to be invited [by a local sponsor]. This all has its pre-organisation culture until you are finally there. Interviewee 1*

Interviewee 7 mentioned a general lack of transparency and urgency from the government in relation to the visa and residence permit problems. Because his organisation has these general issues from time to time, he suggested that organisations should include visa costs and exit and re-entry travel for business visas in their offers to potential customers:

> *Ok, a visa is a huge problem. The visa regulations change constantly. […] The last time it took us six months to receive our block visa. I have heard of other cases where it 'only' took six weeks – this is a form of roulette. […] So, a visa is one problem, then finally getting the people here is another one. Structure-wise, our organisation is quite ok so far. If I want to get long-term staff, they need an iqama [a residency permit]. For that, I need a real work visa. In our experience, this is very complicated and not easy at all. If it is for two to three months on a project basis, the other option is to get a business visa. This works quite well with us, we do it regularly. This is how we also do it for our people who do not yet have an iqama; they fly out and in again every three months. It works quite well, but costs a lot of money. This is one point that we need to*

be aware of when we apply for projects and tenders – we need to include those costs as a risk component in our proposal. Interviewee 7

Interviewee 5's organisation wanted to expand rapidly, but was hindered by the slow processing of residency permits (iqamas):

Now, there are 15 people permanently there, including the General Manager. However, we are hiring. We would have more people if we had more iqamas. Interviewee 5

Existing knowledge about the visa and residency problems in the KSA could be seen as quite out-dated (Zarrouk, 2003), and does not seem to have been finally solved, according to the interviewees. A discrepancy can be seen between currently existing and enforced FDI policies and actions, including derived actions such as the visa and residency problems, compared to the target picture outlined by Dobbs et al. (2015).

5.4.1.5 Theme M - The legal environment

The KfW (2012) study shows the importance of the legal environment for any form of Mittelstand market entry. The host country's legal environment can be seen as one of the most important factors for attracting Mittelstand firms entering a market abroad. The study highlights that the legal environment applies not only to exporting firms, but also and in particular to market entry modes that are more resource dependent. Furthermore, the authors state that, based on their results, smaller SMEs are possibly more affected by the legal environment.

Sharia (Islamic law) compliant contracts

The close link between politics, religion, and culture within the KSA goes back to the foundation of the latest Saudi state in the early 20th century. The main sources of Saudi laws are the so-called Islamic/Sharia laws: statements that are derived from the Islamic holy book, the Quran. In his study of the Saudi Arabian law system, Esmaeili (2009) highlights the impact of the Islamic interpretation of law texts as well as the massive tribal impact on culture, structures, and regulations – naturally also in the form of laws.

According to Vogel (2000) and Jennings (2015), the first contact with Islamic law for foreign organisations aiming to enter the Saudi Arabian market most often happens, as confirmed also by Interviewee 7, with the complexity involved in suing individuals and organisations, as well as the lack of transparency and the length of time it takes to receive a final verdict. Furthermore, the interviewee stressed that he believes that in some court cases the operational handling of the existing laws, depending on the judge and his background, may discriminate against foreign individuals and organisations. During the interview, he mentioned a well-known foreign competitor who tried to sue an influential and well-known local Saudi individual, and has since then been afraid to re-enter the market:

> *And the competitor is afraid of re-entering the Saudi Arabian market due to local court disputes that he himself [the competitor] initiated. Interviewee 7*

Interviewee 10 confirmed this view, as the Islamic law concept was never applied in his former career in Europe.

> *The legal environment is normally really important the first time we talk about investments. Clearly, the contract needs to be Sharia compliant. Nowadays there are also a lot of legal offices that can check those contracts [in order to be compliant with the law]. Interviewee 10*

The interviewee furthermore added that the place of jurisdiction in most legal cases is the Saudi Arabian territory, which can result in court decision from the respective Saudi Arabian courts. He therefore suggested that organisations be aware of this fact, as the legal environment and system may result in so far unknown legal decisions for the foreign party, as also confirmed by Vogel (2000) and Jennings (2015). The existing literature regarding the compliance with Sharia law in the KSA was therefore confirmed.

Communication and transparency

Kechichian (2013) indicates the need for reforms within the judiciary system, not in a revolutionary way to change the complete legal system and its foundations, but simply to adapt it to real world 21st century cases. The late King Abdullah took steps towards a more transparent and communicative approach (refer to section 2.5). Interviewee 1 still complained that new legal developments are not being made public and transparent early enough.

> *It becomes more and more difficult. And the communication is very poor. […] This [the new regulation/law] normally gets published when our products are already shipped. Interviewee 1*

Interviewee 7 made similar comments as Interviewee 1, in particular that the legal uncertainty and interpretation become a challenge as his firm aims to always be legally compliant.

> *You really need the intrinsic flexibility. Laws and regulations change here constantly. Often they are implemented overnight, and then there are no guidelines on how to implement those laws and regulations into practice. Even Saudis have problems with this. Interviewee 7*

While according to Kechichian (2013) the first steps have been taken towards a more transparent legal environment, the practical reality for German Mittelstand firms does not yet seem to be at the desired level.

Corruption and nepotism

In her article, Wrage (2016) analyses the application of counter-corruption measures in the GCC states, and identified that in the KSA, despite signing the UN convention and the Arab convention against corruption, the application in the law is in need of improvement as it is not exhaustive enough. Ahmad (2012) reviews the KSA business environment for SMEs in particular and identifies corruption and nepotism as some of the key barriers within the operational environment. All interviewees were aware of corruption and 'wasta' (the Arabic term for nepotism) in the KSA. Nevertheless, despite offering full anonymity, only one interviewee wanted to briefly clarify how his own organisation stands in relation to these concepts. Details of the local experiences of the organisations within the interview scope about these topics were not disclosed/approved in writing.

> *And if you even mentioned the term 'baksheesh' [a tip, a bribe]… In our compliance structure and our company culture, we don't have the option to play that kind of* tune. *On the one hand, we can go openly into the market, have talks with stakeholders, and hope this leads to a positive result in the form of an agreement. However, we cannot*

and do not want to pull some strings behind the scenes. This does not fit with our compliance rules. In case of doubt, we stay out of it. Interviewee 8

The literature clearly identifies gaps within the existing regulations and laws in the KSA with regard to counter-corruption and nepotism. The still existing historic tribal culture (refer to section 2.4.3) favours nepotism, contrary to the Western view of remaining independent and compliant at all time. German Mittelstand firms in the KSA need to be aware of this ‘gap’ in cultural understanding between the Saudi Arabian and the German business cultures. As the insights from the interviewees are limited due to the nature of the topic, the link to existing knowledge and literature is limited; nevertheless, it can be deduced that the represented German Mittelstand firms represented in this study have made contact with corruption and nepotism.

Asked about a general interpretation of his thoughts on the legal environment linked to market entry and post-entry operations, Interviewee 2 made the following comment:

If the legal environment in Saudi Arabia changed, we could imagine setting up something by ourselves. But as the legal environment is as it is, I cannot imagine that we will ever be more active down there. Interviewee 2

5.4.1.6 Theme N - The Saudi labour nationalisation program

Interviewee 7 highlighted the uncertainty and, in particular, the lack of transparency and communication within the Saudi nationalisation program:

Depending on the company type, a certain Saudisation quota – something like 25% – is required. I think we have 25 or 33%, something like that. The numbers we need to achieve also constantly change. As we are currently quite a small company, this is not a problem for us. But as the company grows further, we'll need to talk about this in more detail. Interviewee 7

Hertog (2014) states that government interactions in the labour force, not only in Saudi Arabia but also in the wider Gulf region, have not been successful, mainly due to a lack of monitoring and control functions as well as ‘micro managing’ within the firms' responsibilities. Every foreign employee is ‘sponsored’ by his employer, and the visa and residency permit are linked to the job for this sponsor as well. If the Saudisation rate is below the minimum required for an organisation, no new visa and residency permits are issued, and residency permits are not renewed.

In line with previous sections in this chapter, the required transparency and communication between the involved partners, the government, and the firm in the KSA are not available in the required form.

Work ethics and productivity

Interviewee 9 mentioned that the Saudisation policy, in its current form, hinders and is harmful to potential investors, particularly because there seems to be the impression that Saudi nationals do not want to work.

> *The next thing is the Saudisation policy. Maybe not that much for the very small [organisations], but as you grow, it hangs over you like the sword of Damocles. Currently, we need to employ 30% Saudis. Nobody can promise you that it will not be 50 or 70% soon, but everybody knows that even if it is a bit exaggerated, the Saudis do not work and just take their pay-cheque. In reality, it does not always happen like this, but this is the picture that is present when talking to German investors. And in the end, it is a fact that the productivity of a Saudi employee is lower compared to someone else's. Interviewee 9*

The academic literature regarding workforce nationalisation programs in the GCC region and the Saudi Arabian labour nationalisation program mainly show negative results. Alsheikh (2015) states that achievements have occurred in the nationalisation of workforce, but that they have not had the positive effect for which the government hoped, particularly due to wrong government incentives, for example to promote university studies whereas jobs requiring a vocational background such as in the manufacturing sector show the highest expatriate rates in the country. Peck (2015) agrees with Alsheikh's view, and finds that the labour nationalisation program so far has negatively impacted the Saudi economy. Furthermore, the effects that the government expected have yet to be observed, while the costs of the program – for the government and the individual firms – have so far been enormous. Peck furthermore notes that Saudi nationals prefer to work in the public sector, and the education system supports this move by educating Saudis mainly for professions that are provided by government institutions.

Interviewee 7 realised – from his German perspective – a certain misconception of the expectations of Saudi local employees and their productivity. Madhi and Barrientos (2003) argue that the original intention of the program, besides a higher Saudi employment rate, was also to increase the productivity of local employees. Mashood et al. (2009) state that the cultural effect, namely the gap between the local cultural standing and existing, measurable skills of Saudi employees, is large. This, according to the authors, explains their work ethics and productivity.

> *There was a recruiting fair just recently and I had a look to see if there were some young engineers around. But they all ask you first if you have an opening for a Project Manager position. But as a Project Manager, you need to have experience. This is a different understanding here. […] We have five [Saudis] here on site, on the one hand due to the Saudisation requirements, and on the other hand due to customer requests. They do a little bit of something, but we did not fully plan for them. […] But compared to a European engineer, the performance is very poor. Interviewee 7*

The organisations of Interviewees 5 and 7 arranged the necessary mix of expatriate and local employees in time, but soon realised that there were major differences in work ethics between German expatriates and Saudi locals. This is also highlighted by Mashood et al. (2009).

> *And the Saudis, they don't show up to work at all, or they show up and they hinder everyone else in their work. […] The topic of work/residency permits and visas is a very challenging and hindering one. It blocks our growth there. The real issue is finding proper, local Saudis who can work and want to work – they are rare. […] We have now moved ahead and decided that we do not care any longer if they are qualified or not. […] Some do not even show up to the office. It's a cost of doing business. There are also some tricks to increasing your [Saudisation] quota and ranking. The Saudis are not only interested in Saudisation, but also in employing females. So we hired two female Saudis who positively moved our [Saudisation] ranking up. Interviewee 5*

> *And this is the next challenge. Hiring a Saudi who really wants to contribute and who is motivated. Someone who identifies himself with the organisation, someone who is loyal. This is very, very hard. We have now hired a Saudi who I would say is loyal. He is proud to work for our organisation. However, the motivation, which is very important to us, is not there. Therefore, you either get someone who may be very motivated or someone who is very loyal. You will not find someone who combines motivation and loyalty. Or you take a few young and motivated Saudi engineers and you train them. And finally, after expensive training in Germany and a project, they come to you and request a higher salary package and a managerial position – otherwise they go. Interviewee 7*

Empirical experiences observed in this study regarding the work ethics and productivity in line with the Saudisation program confirm existing knowledge around different cultural understandings. It is suggested that German Mittelstand firms make themselves aware of those cultural differences and act accordingly when employing Saudi personnel.

Training of employees and employee fluctuation

Jehanzeb, Rasheed, and Rasheed (2013) review the linkage between organisational commitment, employee training, and employee turnover, and call for appropriate training of the employees, bearing in mind the different cultural mind-sets. Torofdar and Yunggar (2012) highlight the need for appropriate training of local Saudis, as effective training needs to follow Saudi cultural norms in order to be successful for all involved parties, namely the firms and the trainees. As the machinery delivered from Germany often requires detailed technical expertise to undertake the necessary after-sales and repair work, all organisations represented in this study provide training to local technicians and engineers in order to overcome small operational problems and issues. Based on feedback in the interviews, the approach to training people on the often complex machinery of the German Mittelstand firm can be divided into two different approaches: either training the local engineers, technicians, and end users in the German headquarters, or flying a trainer in to the KSA.

> *At the moment […] we send a technician, or – and this is what we prefer – an engineer from the partner firm comes to us and is trained. Interviewee 1*
>
> *[…] once it becomes more specific, someone from [our organisation in Germany] needs to come over. Interviewee 2*
>
> *We have mechanics on the sites permanently. They then take the locals with them and let them watch the details. And for a few, who we say were ok and who we can trust to return back to the office tomorrow, we bring them here to us [in south-west Germany] for a few weeks and train them. Interviewee 5*

Arab News (2014) states that around one third of Saudi employees intend to leave their organisation within three years. The article partially also blames the Saudisation policy for this, which, according to the authors, *'woos Saudisation'*. Closely related, Iqbal (2010) states that Saudisation in terms of employee turnover has a negative impact, although the work ethics and expectation of the job (see previous paragraphs) seem to play an important role as well. In a similar way, the employee fluctuation rate among expatriates is on also the higher side compared to other countries (Bhuian & Al- Jabri, 1996). Moussa (2013) agrees that rewards and development potential are the key to success in order to keep the employee fluctuation rate low.

Furthermore, Moussa (2013) investigates the reasons for the high expatriate turnover rate and highlights, among other factors, the often poor treatment of expatriates by local Saudi company owners.

> *[…] The Saudi tells you constantly: 'Do not make it too complex. My people are not educated enough'. This is not necessarily true. What the Saudi doesn't tell you is that his people run away every six months because he treats them badly. Interviewee 1*

The high employee turnover rate also results in issues for the German Mittelstand machinery provider, as trained and educated staff often leave on short notice, and educated and trained successors are hardly available.

> *This guy [the local technician in Saudi Arabia] developed special knowledge [from the training] that he tried to claim from his superior. If this guy runs away now, very expensive equipment is standing around in the desert and someone new needs to be trained again. And as those people are aware of this, it sometimes is a hindering factor to get into the latest technology. […] In particular, in Saudi Arabia, in the complete Arab world, you have a high turnaround of engineers. Normally, they are recent graduates from university. […] But behind this, there is also a human tragedy. I need to be honest; the way that those people are treated is very poor. They listen to it for some time and then they take their own personal consequences out of the poor treatment, if they can. […] We often have some enormous problems due to the fluctuation. People who were trained on the machines are somehow gone, or buying new machines becomes a hindering factor. A big story is always about machine control. In earlier times, most controls were potentiometers; now it is the CNC [Computer Numeric Control] control, where one needs detailed computer knowledge. Interviewee 1*

As part of the post-entry operational processes, German Mittelstand firms should ensure that the employee fluctuation rate remains low while offering appropriate training in order to keep the business operations running and to maintain a high organisational commitment. The insights gained from this empirical research confirm existing knowledge within the areas of employee training and turnover, which according to one interviewee, can even harm the business operations and possibly hinder investment in the latest technology.

5.4.2 The intercultural environment in Saudi Arabia

5.4.2.1 Theme O - The cultural and religious environments

The origin of the KSA is the pact between the Al Saud family and tribe of Abd al-Wahhab, who formed a support alliance between the two groups in order to reach their independent goals of forming a unified Saudi Arabian Kingdom as well as expanding the 'right' Islamic beliefs (Lawson, 2011). The alliance between state and religion has survived, and heavily influences the general cultural conditions and mentality (Long, 2005). Interviewee 10 mentioned some of the peculiarities that German Mittelstand firm representatives should be aware of when working with Saudi business partners:

> *The cultural – the extremely ultra-conservative Sunni tension dominates. And we tell them [the members of the support-type organisation] which restrictions exist, starting with a strict ban on any alcoholic products and the five prayer times a day, which block, close, and slow down everything in the short term. But most of them are already aware of this. Female participants are rare on our trips – most of the time I am the only one, due to a strict gender separation. Interviewee 10*

Interviewee 4 highlighted the importance of following existing social rules and norms:

> *And during those social events, one obviously needs to watch out and comply with the cultural rules. […] you need to use the right hand because the left hand is the unclean hand. You do not show the bottom of your foot to anyone. You just need to comply with those things. This is part of it. Interviewee 4*

The literature also highlights the need to follow existing social norms and the local culture. Therefore, the interviewee responses are in line with existing knowledge regarding the Saudi Arabian cultural specifics.

Mentality

Ali (2009) mentions the unique mentality and socio-cultural environment in Saudi Arabia, noting that on the one hand, this is based on the rich history of the Arabian peninsula with its advanced culture for centuries, and on the other hand on the history of the last century, which dramatically changed the existing traditional life. According to Ali (2009), parts of Saudi society are still seeking their place in this relatively new environment, which sometimes follows contrary ways than in previous centuries. Bjerke and Al-Meer (1993) describe the current Saudi state and its society and their behaviours as full of contrasts and contradictions. Asked about possible future business perspectives of Saudi Arabia, Interviewee 2 mentioned the existing mentality as key:

> *I do not believe that Saudi will develop very fast. The mentality is not there for it. It has slowed down because of the existing mentality – this is the right explanation. Interviewee 2*

Having an open mind as well as low expectations about the general outcome, as Interviewee 2 noted, should not be the only points to be considered: emotions and sensitivity should be considered as crucial as well.

> *I do believe they are way more sensitive than we are. We are practical and technically minded; they are way more emotional and totally different. […] Additionally, what is very important is to devote oneself to something. It's the same as a family relationship: you need to be open to the others. And occasionally you can be hurt, but I think this can be solved on a professional level during work. Interviewee 2*

The discrepancies and the fragmentation in society with existing contrasts and contradictions were also highlighted by the interviewees. As the society is so fragmented and still aims to find its current and future place, the country's progression in line with 'Western' understandings is challenging. This is in line with the work of Bjerke and Al-Meer (1993).

Intercultural communications

Adelmann and Lustig (1981) investigate intercultural communication problems between Americans and Saudis. In their study, Saudis who participated were accused of not sticking to social rituals, in particular before beginning fact-oriented discussions. Conversely, the Americans who participated highlighted the inability of the Saudis to stay objective during discussions. In her review of the intercultural communication with Arabs, Zaharna (1995) states that much of intercultural communication is in fact below the level of awareness, in particular within more hierarchical and group-oriented societies, such as most Arab societies. Interviewee 4 brought his intercultural experience with Saudis straight to the point: Germans as negotiators and communication partners can be a real challenge.

You need to adapt to the business partner. There are simply different rules of the game. You understand them, once you have been in the business long enough. You cannot just come… You need to show understanding if you think like a German. As a German, you can be really extreme. What you say, you normally do. And once someone tells me that he is going to order on Friday, then he needs to order on Friday! And the same applies to payment. I cannot expect this from an Arab or someone in the Middle East. He tells me that he is going go order, but then it is not ordered. It could also be that he just orders every fortnight or six months. You cannot force him. You need to have the right emotions. It's as simple as that. You need to show appreciation of the culture. They want a precise German product, but they do not act as precise as they may show you. But they do not want to be bumped on this. They do not want to be made to look silly or, 'but you mentioned…'. You do this twice, then you get on their nerves and they never come back to you. They have their own pride, their own idiosyncrasies, but you do not need to bring up a painful subject. Interviewee 4

Interviewee 5 highlighted the general German 'angularity' and 'clumsiness' (as he described it) when dealing with other cultures and business partners from abroad.

As mentioned before, despite our angularity and the clumsiness, people still like us in Saudi Arabia. Sometimes I am really surprised, but it is true. […] The German abroad, not only in Saudi Arabia, but generally abroad is loved and much hated at the same time. Germans are loved for their products, and the engineering services are reliable and of good quality. At the same time, they are seen as arrogant and overbearing. So people cannot really be with us, but also cannot do without us. And I do believe that most of us Germans, in particular the ones in management without experience abroad, are not even aware of this. Interviewee 5

In addition, Interviewee 4 tried to highlight the difference in intercultural behaviour with a previous experience with a client in Saudi Arabia who underwent long and difficult negotiations to obtain a discount on the machinery parts. After the negotiations took place, a cheque for the upfront payment was received via TNT Express.

I was not expecting anything at all. So I opened the letter and the cheque was inside. It must have cost a fortune sending it by TNT Express. But nobody talks about things like this. They keep face and as a result, everything is ok. They received a fair price for the products and the rest does not matter. Interviewee 4

Interviewee 9 and the support-type organisation for which he works offers intercultural training to help Germans to have a better feeling and sensitivity for personal actions and gestures abroad.

We do offer intercultural training. […] A good childhood education was never a bad thing. And if you at least basically know how to behave, then at least the basics fit. […] The intercultural training helps you to understand so that one more or less knows what to expect and what to avoid – so that people can try to avoid potential issues and if something happened, at least understand what they did and try to solve it by

> *themselves. The other party then also realises that someone tried to understand the culture, tried to adapt, and values the business partner. I think this is the main part – where we try to educate our participants. Also, learning to predict certain reactions and how to deal with them. Interviewee 9*

Insights gained from this research are partially in line with existing knowledge, in particular regarding the Saudi Arabian business partner. On the other hand, this study is the first to include the German 'side' in the intercultural communication with Saudis, which, with its cultural values, in some ways contrasts the Saudi Arabian social norms and values (Jandt, 2016).

The religious environment

The close link between politics, culture, and religion is dominant in the Saudi Arabian society. On the one hand, the KSA has the two holy cities to which every Muslim should pilgrim at least once in his life, and on the other hand, it has a conservative environment, mainly driven by the strict religious interpretation of the Islam. As a result, its implications for the business environment should be taken seriously by market entrants from the German Mittelstand (Ali, 2009), in particular as the legal environment is closely linked with the religious environment as well (refer to section 4.4.2.1). Interviewee 3 recommended making oneself aware of the message of Islam, as well as conducting some further background research on the religion in order to avoid 'dropping a clanger'.

> *The first thing I would do is read the message of Islam. This would be the very first thing. […] You should know the differences between the Shia and the Sunni and why they do not get along. In general, you should understand the main message of Islam. What is Islam's stance on events in our world? With so many Islamists and with those kinds of extremes, that is not Islam. And you should always know with who you get involved in terms of religious background. And, if you are an atheist, then you should not spread the word down there, because religion is very important in those countries. Interviewee 2*

Interviewees 5 and 9 indirectly confirmed that a certain understanding of the religious background is crucial when dealing in Saudi Arabia, and highlighted two of their personal experiences that show the necessity of being religiously aware of one's own actions.

> *I can give you an example, a little anecdote, but I trust there is some meaning behind it. […] Our General Manager, a senior German guy who we re-recruited from retirement and who doesn't consider himself to be higher than anyone else, invited his*

> *staff to a Christmas party in the first year. Then he asked himself why nobody joined him. Interviewee 5*

> *This is one of the points where I receive phone calls during Ramadan and people complain about belated payments and similar things. And I don't receive those phone calls at any other time of year, only during Ramadan. Okay, what should I say to this? 'They told us that he would pay tomorrow', 'But it is Ramadan', 'But he said that he would pay us tomorrow'. Then I say, 'But he then forwards it to the finance department and they work on it. Excuse me, but when you mention to your customer that your finance department will pay tomorrow when Christmas and New Year is around the corner – do you think your customer will receive his money before the 5th of January?'. Interviewee 9*

In line with existing knowledge, the interviewees' responses indicate that the religious influence on business operations and intercultural dealings is massive. The insights gained from the interviewees highlight the need to raise awareness of this among German Mittelstand firm representatives.

The expatriate work environment

Jackson and Manderscheid (2015) review the experiences and perceptions of Western expatriates in Saudi Arabia and how they adapted to the intercultural and Saudi Arabian environment. Themes linked to the adjustments of the spouses and the family, Western residential compounds, and a good relationship between Saudis and expatriates are identified as crucial for success. In line with the work of Jackson and Manderscheid (2015), Interviewee 5 suggested that new market entrants should think about the human resource component from the beginning of the market entry process as the social, cultural, and work environments differ from the familiar German culture.

> *One needs to be aware in advance of who could be sent there [to Saudi Arabia], who needs to be sent? Are there people who are prepared, who want this and who can do the job? Interviewee 5*

Interviewee 10 put the general Saudi Arabian cultural and religious environments into perspective with regard to the available employment conditions.

> *The cultural – the extremely ultra-conservative Sunni tension is dominating. And we tell our members which restrictions exist, starting with a strict ban on any alcoholic products and the five prayer times a day, which block, close, and slow down everything*

in the short term. […] So, these are the difficulties in Saudi Arabia. It's just very challenging living conditions for German professionals. Interviewee 10

The findings confirm existing knowledge and contribute to an extension of knowledge by raising this component as one of the most prominent and important barriers for Mittelstand success during market entry and subsequent post-entry operations.

5.4.2.2 Theme P - Women in the work environment

In a country where women represent roughly 50% of the overall local population but are not allowed to drive cars by themselves (Al-Rasheed, 2013), a special role in society as well as in the business world is imperative. Ahmad (2011) reviews business women in the KSA, their characteristics, and perceived barriers. The results highlight that most business women are highly educated. The barriers perceived in day-to-day operations relate to the regulatory and cultural backgrounds, including relying on male relatives who are the official guardians of those women, and extra restrictions due to the strict gender separation (e.g. different banks only for females). As the cultural and religious environments have such a strong influence on the gender separation and women in the work environment, Interviewee 10 (a woman who travels regularly to Saudi Arabia) recommended that women travelling to Saudi Arabia follow some simple guidelines. The change in mentality is apparent in her statements and can be seen in day-to-day business during the delegation trips.

I always recommend not looking a Saudi in the eye and not giving your hand to anyone. But when you are part of the defile, everybody shakes hands and if you then meet the minister in the 25th position, you obviously give him your hand as well. And really, everybody always treated me well. They are very obliging all the time as I am the only woman most of the time. Then the others always feel a bit embarrassed that they do not have any women on their side. […] Our delegation is always happy to have me as a female with them; then they can visit the family sections in the restaurants. And that's because of me. Otherwise they would need to go to the ugly male sections close to the roads. Interviewee 10

Female participants are rare on our trips – most of the time I am the only one – because of this – a strict gender separation. And if we are talking about daily life and business in Saudi Arabia now, this makes it hard further down the line for companies to send professional and experienced expatriates there. Because none – and this is also the feedback we receive from the organisations – of the engineers are interested in living in Saudi Arabia for a longer period than two to three weeks. Interviewee 10

In their research on males' attitudes towards working females in the KSA, Elamin and Omair (2010) find a traditional and conservative male view of working females in the KSA. Besides the major influencing variable of age, the education level seems to be another major variable influencing the view on working females. According to the authors, the younger and more educated a male Saudi is, the less traditional and conservative his view is on working females. Interviewee 10, during her delegation trips, is often in touch with Saudi women; she has not experienced any negative issues for non-Saudi women during her stays in the KSA as long as the socio-cultural guidelines mentioned above are followed.

> *If there is anything in the background with the Saudis – I do not have any problem with this. This is related to the fact that all those guys in Germany, the US, or England studied for some time and are used to us [women]. There are always those stories of women who say 'once and never again'. […] We do have experiences with women who joined us [on our delegation trips]. And they had very good experiences. Interviewee 10*

Current, rare general insights into women in the work environment are confirmed by this study. During the interviews, the cultural and religious implications regarding the treatment of females were identified as constantly present in Riyadh, while a trend could be seen towards less strict female regulations in the West and East of the country.

Hiring female employees

In a report based on its research, Oxford Strategic Consulting (2015) writes that most employers in the KSA are not aware of the possibility to at the same time, however, the findings reveal the interest of employers in hiring Saudi females. Abu-Nasr (2013) states that employers who hire females tend to prefer them over the male employees as they are generally punctual and harder working. Sullivan (2012) states that there are more female than male graduates from KSA universities, yet the unemployment rate of Saudi females is higher than that of males. Sullivan argues that this is related to the conservative and traditional environment, which in major parts of the establishment still does not see females in the working environment, although they tend to be more highly qualified than males. Interviewee 5's organisation in the KSA hired two Saudi women for its local operations in Eastern Saudi Arabia. He stated that the women are well educated and mainly used for translation purposes between the German headquarters and local Saudi business partners and government authorities.

> *It works in the office. And the two ladies are both well educated. So they don't just sit around. They do a few translation tasks as our people obviously cannot read and write the language. So, the little money we pay them is well invested and some worth has been gained. We do not regret that step. In principle, we get along with the ladies far better than with their lordships, the males, who we hired to improve our quota. But they don't even show up to the office any more. Interviewee 5*

Comprehensive research on females in the KSA work place is limited, but over the last years the research output has increased. The traditional and conservative Saudi view of females in the KSA that is described in the literature can be confirmed as still existing and relevant for business operations. Insights gained from the interviewees nevertheless suggest some opportunity for progress in this regard, as the experiences of the German female interviewee and of the German male interviewee who employed females in the KSA described positive experiences. This is in line with the works of Abu-Nasr (2013) and Sullivan (2012), who see large potential in the female workforce in the KSA.

5.4.2.3 Theme Q - The business family and its hierarchy

Abudabbeh (2005) describes the concept of families as the core of religious belief and following a *'[...] patriarchal, pyramidal hierarchy'* (p. 427), despite a different trend in the so-called 'Western World'. Heng (2009) describes the family orientation of Arabs and Saudis as overarching, and furthermore states that the influence of the family and responsibilities within (such as taking care of sick family members) is still strong, even in this global world. In line with the work of Bjerke and Al-Meer (1993), Heng (2009) describes the link between families and hierarchical behaviour within the firm. The author indicates that firms in Saudi Arabia are managed as if they were a family, and are to a certain extent a business family. Hierarchies with a patriarchal head at the top exist in both the private and the business family. Cassell and Blake (2012) review the Saudi Arabian culture in terms of Hofstede's cultural framework. Within the 'power distance' dimension, the authors state the following:

> *the high power distance in Saudi Arabia is evident in the Saudis' strong preference for managerial positions due to the belief that labour jobs are dishonourable [...] (p. 153)*

In line with the existing literature, Interviewee 2 stated that families not only exist within the private domain, but also within the business environment and Saudi organisations. Furthermore, Interviewees 2 and 4 noted that understanding the signals from the business family members is crucial in order to gain a long-term and reliable business relationship.

> *If you do not manage to be part of a family, you will always struggle to gain follow-up business. But what is meant by the term family? I think this needs to be defined. There are private and business families. I am sure, in time, that you should also have some private contacts, even with women or the family including the women. At least that was how it worked for me. Then we also went to family restaurants for dinner. I think this is a crucial and very important point. Interviewee 2*

Consequences of the KSA culture on management and leadership

Interviewee 5 highlighted the cultural differences in the day-to-day business of KSA firms, mainly in terms of partnerships and hierarchies that should be taken care of by the German counterparts:

> *They [the Saudis] are very proud and also think very much in hierarchies. So you cannot just send juniors to Saudi Arabia. The Senior Management needs to be present from time to time as well, particularly in a partnership, but also for the end customer. This is what is expected. This is part of paying homage. Nothing new for us to deal with the customers and partners in a fair way. But there, it is in a different category. You should have, at least once a year, someone like a Vice President or Senior Vice President or someone with a similar title sitting on the other side of the table. Interviewee 5*

Interviewee 9 confirmed the hierarchical nature of the society, and furthermore highlighted the differences between the younger and the older generations.

> *You see a big difference between the young generations, I'd say below 30 years old, and the older generation that did not grow up in shopping malls – if I may say so in exaggerated terms. The older generation appreciates cultural awareness and know-how. The Saudis, or at least a lot of them – our potential customers – are world citizens. They have travelled the world and still do, while knowing exactly what's going on around them. I think we sometimes have the wrong picture of them here in Germany. They do not sit all day long in their desert tents under the sun. Certainly, you have those characters as well, but there are a few who are very much awake. Interviewee 9*

The identified hierarchical differences describe the existing cultural dimensions in a similar way as identified by Bjerke and Al-Meer (1993) who stated that Saudis tend to keep a far distance between themselves and subordinates, which could either be related to the historic tribal system or the values and beliefs that are derived from Islamic societies.

> *For example, Saudi managers, as Moslems and Arabs, do not tolerate persons who deviate from Islamic teachings and Arab traditions. They are very loyal to their organizations. Also, they do not like conflict. However, if they are forced, they resolve disagreements by authoritarian behaviour. Saudi managers tend to prefer a tight social framework in organizational as well as institutional life (high collectivism). Islam is an important source for this orientation. (pp. 34–35)*

Asked how German Mittelstand firms, which often also have small hierarchies, could react to the exhaustive hierarchies on the Saudi side, Interviewee 9 responded with a creative solution by forming virtual hierarchies on the German side.

> *When in doubt, you need to build up virtual hierarchies to gain further negotiation space, to be taken seriously. […] These are the points I make our members aware of. Even if the hierarchies don't exist, then virtually create them for the customer. And then you have a country representative, a regional representative, a sales director, and a managing director. […] Then you will always have someone who needs to be consulted in the negotiation phase, where you need to wait for a decision. By doing so, you can highlight to the customer that we really respect you and your proposal. […] These are points I mention to our members, because they often have such low hierarchies that above the key contact point for the customers there's only a managing director. There was even an extreme case I know of where the installation engineer was also the managing director. But in Saudi companies you might have four more hierarchy levels that then still need to approve a compromise. And in between, they play a bit between the levels, just to continue the negotiations and to gain a bit more out of it, or whatever the real reasons may be. And then on the other side, you have one guy who could decide everything [the representative of the German Mittelstand firm]. This does not fit together. Interviewee 9*

The contrasts highlighted within the literature between often small and 'lean' hierarchical Mittelstand firms and Saudi organisations were confirmed by the interviewees, including the cultural differences in the leadership and management styles related to the hierarchical system in the KSA. Additional insights gained to extend existing knowledge were the suggestions to build up a 'virtual' hierarchy in German Mittelstand firms in order to operate and negotiate on a 'similar' hierarchical level (compared to the KSA cultural understanding).

5.4.2.4 Theme R - Trust, commitments, and decision-making

Abosag and Lee's (2013) findings show a close relationship between business operations, relationships, and trust in the Middle East. Businesses in the region seem to check their business partners during various stages of the business relationship, including the pre-relationship stage. Heng (2009) states that building up relationships and trust, in particular with a foreign partner, takes time. Yet, once a Saudi makes a commitment in a business relationship, in particular a senior Saudi, even orally, this commitment can be taken for granted. Interviewee 5 confirmed this view by mentioning his business relationship with his partner, who works with the traditional handshake:

> *The relationship with our local partner is still one of the good old, traditional business 'handshakes'. After some time together, you gain a common basis of trust. You negotiate and act on this basis. This means that the spoken word is key and counts. Because of this, I can recommend not 'schmoozing'. They take your word seriously. […] After a long time you will also be greeted with the local Saudi customs: you get some kisses when you arrive and depart. Then you'd better stick to your word, otherwise the next trip might become a bit more difficult. Interviewee 5*

Interviewee 8 highlighted the trust basis and long-term commitment that is necessary to receive a commitment from the Saudi partner's side:

> *It depends on the commitment of the partner. To rely on words based on trust is not that easy. In the end you need long and intensive contact to know what you are really up to. Interviewee 8*

Interviewee 2 recommended that new market entrants visit Saudi Arabia without expecting any commitments or decisions in the beginning at all. This is in line with existing knowledge that argues that trust in the relationship with Saudis is necessary, and that this can only be achieved with time.

> *And then I would go there with an open mind, but would tell everyone: 'Do not believe anything'. And seek solutions, not reasons; but also request solutions from your business partner. […] You could easily calculate that once the production changes, 50% savings are possible. And additionally, two thirds of their manpower could be reduced, which automatically has an impact on the Saudisation quota. You mention all that. And the German logic says that naturally, you go for it. And finally, after two weeks the guy comes back and tells you that he wants it immediately, like this. Even if it is like this, he will never take the operational actions, or just very late, if ever. And because of this, you don't need to have any expectations at all, even if it sounds so simple and advantageous. And if your business partner really can follow you, then he*

> *does not see the timeline, nor the motivation, nor all of the other reasons. So I suggest that you go there, you show, you argue, you take them by the hand. It's a little bit like kindergarten in my experience. Lead them there and once you put them in front of the finish line, still do not expect anything at all. And leave them alone. It always comes totally differently. That is my experience. You can hardly influence it all. Interviewee 2*

With regard to decision-making, Interviewee 4, who highlighted one of his previous experiences in Saudi Arabia, described different reactions than those outlined by Heng (2009). Most of Interviewee 4's business partners have a relatively young operational team, while the seniors, who often led the organisation previously, are still active in the background.

> *You really deal with young people. But you always have the older generation around, the ones who might not be operationally active, or might have a consultancy function within the firm. But they are extremely valued by the operational team and they carry favour with them. And from my experience, I can tell you that you need to get the agreement of the seniors who are no longer operational. Once you achieve this, the young generation will support you as well. This is sort of how you know it from the oriental books about family. The family consists of dad, mum, or grandma and granddad. They are no longer operational, but are still in the business arena. And those guys need to agree, so that you can work with the operational team. Once the seniors let something through with a nod, the juniors take action. With us, this is a little bit different – at least it often is. The juniors often take over, act relatively aggressively and in their ivory tower. A new broom sweeps clean and so on. And there, it is completely different. The juniors respect the seniors for what they built up. Interviewee 4*

5.4.2.5 Theme S - The negotiation process

Heng (2009) describes Saudis as strong negotiation partners who enjoy negotiating and bargaining the best deal for themselves. Trust, commitment, and a personal relationship from both parties involved are the pre-conditions for any negotiation, as the social interaction is seen as being of high value, and was discussed in sections 4.4.2.3 (Relationships) and 4.3.2.5 (Trust and commitment). Khakhar and Rammal (2013) find that negotiations in the KSA still follow a 'polychronic time system', which includes them being long and difficult. Interviewee 1 described the negotiation process and the major differences compared to the German negotiation style. He recommended becoming familiar with the specifics of the negotiation process. As his Mittelstand organisation has a regional office in Dubai and covers the Saudi Arabian market from there, his organisation is able to respond quickly to customer requests. As part of the requirements and negotiations, he placed importance on the fact that most of the time there are no Saudi locals participating in the negotiations, but mainly expats from India or neighbouring Arabian countries.

> *So, as I told you, our Dubai office mainly employs Indians, but those gentlemen are not only Indians. India is big and there is a south-western region called Kerala. And the 'Keralites', as they call themselves, live all over the Middle East and are very proud people. So, in case we have some Arabic customers who are represented by Indians, we try to steer the business through our Dubai office. You know the structure in Saudi Arabia. Take a young engineer who contacts you and asks for a machine. Most of the time this is not a Saudi, but an Arabic engineer, possibly an Egyptian, Syrian, or Lebanese national. I would not handle those kinds of requests via the Indians. I would personally take care of them. So, we are kind of flexible when it comes to those requests. And then we also take a look at who we have on the other side of the table. The ideal situation is Keralite and Keralite. This is always the easiest combination to sign a deal. But you know it too: the region is a melting pot. So we try to react as well as possible from the beginning. Interviewee 1*

Interviewee 2 confirmed that most of the setups he attended as part of the negotiation process were similar to those outlined by Interviewee 1. He added that the Saudi local often comes in towards the end of the negotiation phase to close the deal.

> *In my experience, the Saudi local always comes in at the end and negotiates a little bit further. So we give him a little goodie and when you see him two to three days later, he tries to negotiate even further. But there are things we calculate directly into the overall negotiations. Interviewee 2*

Most interviewees saw the never-ending negotiations as contrary to their usual negotiation behaviour and mentioned it as one of the major issues in their business.

> *How should I say it…? Those never-ending negotiations until the contract is finally signed. This certainly is something special. […] So, everybody who is active down there will realise that it never ends. Your entire existence is a negotiation. And that existence never ends. Interviewee 2*

Interviewee 4 mentioned the constant price (re-)negotiations, yet at the same time mentioned that in his experience other countries have tougher negotiation partners.

> *They might negotiate around the price, but we know that in advance and try to level it accordingly. Interviewee 4*

Interviewee 5 mentioned that the constant negotiations are part of the local culture, going back to historic trade times, as well as being part of the honour and sport of the negotiation partner.

> *Certainly they negotiate and try to gain some benefit. But then you simply add a little buffer. This is part of the honour and sport. They need to negotiate and try to get something out of it. They cannot buy something that was not re-negotiated. So we simply add a buffer. But in China this buffer is way higher. Interviewee 5*

Interviewee 7 mentioned the current tough competition and price war in the Saudi market due to the economic downturn as a possible reason why negotiations, more than ever before, are never-ending. In addition, he mentioned that his organisation often experiences issues with the final down payment from the customer, when the customer requests re-negotiations regarding the machinery. According to him, sometimes those major issues cannot be resolved at the operational level. At that point, the discussions regarding the request are taken to a higher hierarchical level, often between the Mittelstand firm management and the management of the partner in the KSA.

> *We all experience that once it comes to the final payment or once the project has already started – with a signed contract – the customer talks to you and lets you know: 'I think your offer was way too expensive, the one we signed. Give us a discount'. So we respond: 'We do have a contract and we've already started'. In the worst case, you present the final bill and they respond: 'We'll just pay you this amount. It's all way too expensive. You need to give us a 20% discount now'. All this happens here. […] Once you have that relationship, you can do quite a lot. Then you can bring it to a different level. Our management team has known them [the Saudi partner] at that level for 30 years and they can then sort it with their contacts. But as a newcomer this is a real challenge. You first need to gain their trust, need to have a positive standing. This is very important here. After that you can sort certain things out, but all that takes time. Interviewee 7*

Interviewee 8 highlighted that the non-verbal signals during the negotiations are highly important.

> *[…] my impression is that things are not as clear and straightforward on the table as we are used to in Germany. They do not argue with analytical causes, impact reactions, or causal reactions that bring you straight to the point quite quickly. Instead, they talk about the world and whatever other topics. But the real big points, the deal breakers, they don't work with the transparency and communication we are used to. These are the topics that are negotiated between the lines. It is extremely hard to figure out if your business partner agrees or disagrees on certain points. Ostensibly there seems to be agreement, but after digging deeper you realise that the understanding on the other side of the table is different. And it seems to be impolite and difficult to talk clearly about the dissent. As mentioned before, it depends on the commitment of the partner. To rely on words on a trust basis is not that easy. You need long and intensive contact to know, in the end, what you are really up to. Interviewee 8*

Negotiations within the KSA or with Saudi Arabian business partners differ from the 'Western' world negotiation behaviour. The analysed data suggest that a personal relationship, a respected position within the firm's hierarchy, trust, commitment, previous experience, and time are key variables for a successful negotiation. In line with existing knowledge, the above variables need to be taken into consideration if the Mittelstand firm wants to be successful in the KSA with its products and services.

5.4.2.6 Theme T - Attitude towards time

When reviewing the cultural dimension of Hofstede's 'Individualism vs. Collectivism', Cassell and Blake (2012) note that in the KSA attitude towards time does not have the same impact as in Europe. More importantly, family and friends are at the core of social life in Saudi Arabia, and as a result business meetings may need to be postponed or delayed in case of important family and friend events. Hao (2012) confirms the influence of religion on timing in Saudi Arabia, and at the same time highlights the strong collectivistic dimension within Hofstede's cultural dimension. In particular the five praying times per day are used as an example of business disruption, while stating that Saudi business men do not normally make major business decisions immediately during a meeting, but instead postpone them until a later time.

The German view on the attitude towards time

Interviewee 1 highlighted the differences between the Saudi and German concepts of time. His previous experience with meetings and decisions on the Saudi side often took a long time, and time means money.

> *It is always quite nice on the interpersonal level. But often you do become nervous quite fast. The expensive time is running through your fingers and then they tell you how well and reliably your machine runs. But at the end of the day, you are there for other reasons. Interviewee 1*

For Interviewee 4, patience and reserve are the core principles required to conduct business in Saudi Arabia. He also highlighted that things simply cannot be planned, and that timelines are not reliable when dealing with Saudis. However, once a decision has been made, long-term partnerships are valued.

> *Obtrusiveness in the Middle East - that does not work at all. You need to have patience and through that, you'll reach your goals, even if it's not plannable in terms of time at all. And you should not expect anything overnight. But once you are in business, they prefer a long-term partnership. They do not change their partners or their products under normal circumstances as long as the price is not dramatically wrong. They really seek long-term, reliable, high-quality partnerships, which you cannot rush or force like I think we do here in Germany from time to time. Interviewee 4*

Another issue related to the concept of time was highlighted by Interviewee 7, who, as a German national having previously worked in the German Mittelstand headquarters, needed to explain to his colleagues and counterparts in Germany that certain things in Saudi Arabia take longer.

> *It often happens that headquarters think they know the Saudi Arabian market. Once you communicate with headquarters, I am sure you find this out. You need to fulfil targets. And that does not work here. You really need patience. And if someone shows up with a timetable and wants to force things – that does not work. It will fail. And the guys in Germany do not understand this. 'How can it be that the company is still not registered? This cannot be, you've already worked half a year on this!'. Maybe it will even take another year. Interviewee 7*

The Saudi Arabian view on the attitude towards time

Interviewee 7 highlighted the different business culture and appreciation regarding the concept of time. In addition, he added that, based on his experience, people with straightforward targets in Saudi Arabia will fail. His previous experience showed that one needs to be patient when dealing with Saudis.

> *Until something really happens, it takes time and you need to take a deep breath. […] A very, very deep breath; be patient. I think everybody who is there for a few months can reassure you that tangible targets will fail here. You really need lots of patience. […] Ok, this is a completely different culture here. Interviewee 7*

This becomes further complicated once the contract is signed and the customer needs to fulfil certain contract criteria at a certain point in time, due to the legal environment as well as potential payment terms.

> *It hardly ever happens that a customer fulfils his obligations in time or even arrives at meetings on time. We always come back to the mentality, the culture. And you can hardly hold a gun to a Saudi's head or try to push him to get him to understand the*

urgency of a contract date. This is really complex. […] It can happen that you wait two years for payment of an invoice. This can happen to you easily – and here you need to take a deep breath again. And once you are part of bigger projects you need to be able to afford this kind of behaviour. If you are dependent on reliable, on-time payments, you might suffer very fast. Interviewee 7

Interviewee 4 had different experiences with dealing with Saudi Arabian customers. Once the goods are ready for shipment, the Saudi Arabian partner processes the information. After that, it could easily happen that the goods are not shipped immediately as there is no response from the Saudi part of the deal. Interviewee 4 highlighted the cultural background of the Saudis with whom he deals, as well as the Saudis' rhythm and understanding of time. In contrast, Interviewee 7 had never had any payment issues at all. The differences may be due to the fact that Interviewee 4 works with independent distributors in Saudi Arabia, while Interviewee 7 is part of a wholly owned subsidiary and lives in Saudi Arabia.

And then the finishing of the machine will be signalled to the boys, including measurements and the location to be picked up. Then don't expect anyone down there to rush. It can easily take 10 days to two weeks until someone reacts and mentions that someone will pick up the machine. This is what I mean about 'not forcing things'. They have their own rhythm down there. And once he mentions Thursday, it does not automatically mean this week. This could be the following week or even further ahead. You need to appreciate how they think and act, with patience and really, please don't force anything. Interviewee 4

Interviewee 8, after having been directly involved in the foundation process of a Saudi Arabian joint venture, stated that far more time should be calculated for the company foundation and set-up process than initially planned. Furthermore, he linked the concept of time with the concept of trust, which he believes is directly related.

First I would mention that everyone needs to bring more time with them than already planned, and for what might be needed for the processes somewhere else. Everything takes time here. The second thing is […] to secure the commitment of business partners. A reliable trust basis is hard to achieve and you really need long and intensive contact before you know where you actually stand. Interviewee 8

The contrasts between the Saudi Arabian and German attitudes towards time that are highlighted in the literature can be confirmed by the results of the present study. The relative felt importance of time is fundamentally different and finds its background in the differing cultural and religious environments.

5.4.2.7 Theme U - Expectations of Saudi Arabian customers regarding Mittelstand firm products, and German Mittelstand firms regarding the Saudi Arabian market

Expectations regarding German Mittelstand firm products and services

Kassim and Abdullah (2010) find that the perceived quality of a service that one receives impacts customer satisfaction, trust, and loyalty. On the product side, Kanji (1995) concludes that German firms, compared to US firms, are twice as likely to integrate customer expectations into their products, which gives them a competitive advantage. Nevertheless, the tag ‘Made in Germany’ and its association with high-quality products is not always beneficial when talking to potential customers, as highlighted by some interviewees. Interviewee 1 mentioned that some of the customers have high expectations, and Interviewee 2 noted that most people he meets in Saudi Arabia ask for much, yet do not even need or want it.

> *I know of quite a number of people who find it difficult because their counterpart expects a high-quality product. In relation to this, the expectations are overly high. Interviewee 1*

> *You need to understand that the people ask for a lot, even if they do not need or want it. You need to find an operational mode to bring the other side out of its shell. Interviewee 2*

Expectations regarding the KSA market

Barmeyer and Franklin (2016) argue for ‘otherness’ and openness when dealing abroad, and suggest seeing expectations of all parties as a mix of intercultural values and behaviours that need to get used to each other and to adapt with time, trust, and the building of relationships. Interviewee 2 suggested that the expectations of the Saudi partner and the market, as well as of the German machinery organisation, should be kept low. At the same time, he warned that verbal arrangements and commitments cannot be taken seriously in the beginning, but that this, with time and further deepening of the relationships, can change fast.

> *If you do not want to fail, lower the expectations. And I think that the spoken word in the beginning certainly doesn't mean anything unless you know someone very well. So after a few years dealing together, it might happen that they ask for a machine and tell you to go ahead. Then you also need to go the unconventional route. You need to be that flexible, but always secure yourself. Interviewee 2*

Interviewee 9 saw the different customer demands and expectations as wider intercultural and educational differences, and stated that one should make those differences transparent while not expecting anything.

> *There are always points where certain problems occur and you just need to take note that certain things move ahead differently. And expectations are different as well. Interviewee 9*

Expectations within the market entry of the Mittelstand firm exist with all involved parties: the headquarter has expectations regarding the local partner, the market, and its development, but the customer and partner side also has expectations regarding the firm, its products, and services, as highlighted in the literature. Specific literature on the German-Saudi Arabian expectations was not found in this study; these findings thereby extend the existing knowledge of the German-Saudi Mittelstand firm context.

5.5 Conclusion

The previous sections analysed the primary data collected in this study. As part of the overall research aims and objectives (refer to section 1.3), it discussed the success factor themes for the German Mittelstand firm that aims to enter the Saudi Arabian market. In addition, challenges to the German Mittelstand entry and post-entry operations process were identified and discussed with regard to the literature. By doing so, the chapter highlighted the ways in which this study's results both confirmed and diverged from the current literature.

While there is evidence in the literature of the need for foreign market entry of German Mittelstand firms, this study about market entry and post-entry operations in the KSA closes an existing gap in the literature by providing empirical insights. Furthermore, this research with its theory-building approach advances the understanding of Mittelstand firm market entry. This research reveals the partial relevance of the network view and the RBT for Mittelstand firms' market entry and post-entry operations.

The RBT is found to be applicable in the form of intangible company resources and assets, such as the organisational structure, the flexibility to adapt products to customer requests, and the international orientation of the decision-makers. In addition, this study confirms the applicability of the network view for the MFMTS Mittelstand's market entry into the KSA, as most of the investigated firms entered the KSA market with a business partner or a previous customer who was then set up as a business partner.

On the other hand, the findings also highlight that, in their initial steps to Saudi Arabia, most Mittelstand firms act in an unstructured and random way, contrary to what is expected in most of the theories.

The findings present a clearer understanding of how German Mittelstand firms in the MFMTS enter the Saudi Arabian market, and thereby close an existing gap in the literature. The findings highlight, the organisational structure, the flexibility to adapt to customer and product requests, the international orientation of the decision-makers, and the support provided by foreign trade promotion agencies and business associations as major success factors for successfully entering the Saudi Arabian market. In addition, the findings clearly highlight challenges of which German Mittelstand firms need to be aware when entering the Saudi Arabian market, such as: the political and legal environments, including the labour nationalisation system; and the general intercultural environment, with a focus on the culture, religion, women, families, hierarchies, relationships, the time perspective, and customer demands and expectations during the negotiation process.

The first two out of four research objectives (presented in section 1.3) were linked to this chapter. First, based on the conducted analysis and findings of this research, the chapter presented patterns of successful German Mittelstand firms' entry and post-entry phases in the KSA (research objective 1) in detail by outlining eight themes (Themes A to H) of success factors. Moreover, research objective 2 was also met: the chapter investigated the challenges that Mittelstand firms face when entering the Saudi Arabian market, and presented these challenges in detail within two sub-categories: challenges accounted for by the business environment (Themes I to N); and by the intercultural environment (Themes O to U).

Chapter 6 will present conclusions and recommendations based on the findings presented in this chapter.

6 Conclusions and recommendations

6.1 Introduction

This final chapter refers back to the findings and aims to answer the research question outlined in chapter 1 by providing answers to how German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market, and by highlighting specific market entry and market operational problems that occur during the process, and how those challenges are overcome (research objective 2). Furthermore, this chapter aims to answer research objective 1 by providing insights into the supporting factors that contribute to a German Mittelstand firm's success in the entry and post-entry operations process. Along with answering the research question, this chapter furthermore provides insights into the relevance of existing concepts and models of SME market entry, and which theories explain German Mittelstand firms' market entry (research objective 3). Finally, the chapter presents the output of this study in the form of recommendations and contributions, in terms of practice and policy, as well as knowledge (research objective 4). Subsequently, the chapter discusses the limitations of this research and suggests themes for future research, before finally concluding this thesis.

Figure 28: Conclusions and recommendations chapter overview

Source: Constructed by the author.

6.2 Review of the research aims and objectives

6.2.1 Research question: How do German Mittelstand firms in the MFMTS successfully enter the Saudi Arabian market?

Based on the findings, unique factors of Mittelstand firms can be identified that facilitate these firms' success when entering the Saudi Arabian market. The long-term, sustainable acting and thinking of the Mittelstand firm owners and of the operational managers play a major role. The desire to reinvent the business constantly and to continuously strive for better products and services forms the core of success.

In line with existing knowledge, previous international experience and intercultural awareness of the Mittelstand firm decision-makers and operational management are the keys to success. Preferably, both management groups should have existing knowledge of market entry in EMs and/or other markets in the GCC region and be aware of possible issues and challenges.

When dealing with the KSA market, specific market and intercultural knowledge of business partners is required. A clear understanding of the business culture and the overarching religious environment is needed; a certain flexibility is necessary between the German, often strict and straight business behaviour, and the more human-centred focus of Saudis. A particular focus should be put on local networks in the KSA that can help to enter and develop the KSA market.

The study clearly highlights resource restrictions of Mittelstand firms, both in terms of financial resource restrictions, but more so in terms of finding the right human resources and gaining the necessary knowledge and networks for a market entry and post-entry development. The findings clearly demonstrate the important role of foreign trade promotion agencies and business associations that facilitate the necessary information in relevant formats for their target audiences. Organised market visits, special information days, networking events, and local, historically developed business and legal networks in the KSA are just some of the services that are provided and that can support the successful market entry of Mittelstand firms into the KSA.

6.2.2 Research objective 1: To study internationalisation patterns of successful German Mittelstand entry

and post-entry operations processes in the KSA market

The following success factors were identified as keys to Mittelstand internationalisation success based on the conducted empirical study:

- Small hierarchies and quick decision-making;
- key characteristics and criteria of decision-makers;
- the family business as the organisational foundation;
- 'Made in Germany' as a country of origin effect;
- quality products and after-sales support;
- the niche of the firm within the sector;
- the decision-making in the market entry and market entry mode selection process;
- and the support of foreign trade promotion agencies and business associations.

In line with the taken qualitative research approach, the sequence of identified success factors is not used as a ranking of importance, but instead lists the factors while at the same time highlighting the complexity of the market entry and post-entry operation process.

The major factors that support German Mittelstand firms' success in the entry and post-entry operations process are the small hierarchies and quick decision-making as well as key characteristics and criteria of decision-makers in the process. The small hierarchies favour communication and transparency by ensuring a constant information exchange to respond to changes with quick decisions on the operational and strategic levels. Related to the small hierarchies and quick decision-making are the role and key characteristics of the decision-makers. This study enhances knowledge through the distinction of decision-makers in German Mittelstand firms in the market entry process into senior and operational management, with the senior management often being linked to the ownership of the firm. In line with existing knowledge (refer to section 3.4.4 and in particular to Björn (2011), Chandra et al. (2009) and Fernández and Nieto (2005)) it was confirmed in the interviews that intercultural sensitivity and previous international and intercultural knowledge favour the market entry process of the firm and the subsequent post-entry operations in the KSA.

The family business and the high involvement of family and owner members as the core of the Mittelstand firms were identified as crucial and supporting in the market entry process. Linked with the small hierarchies and the key decision-maker characteristics, they form the basis for the organisational as well as the market entry success. The findings of this study hereby confirm previous SME findings in that the family involvement is crucial for the firm operations and the market entry abroad (refer to Fernández and Nieto (2005), H.-E. Hauser (2005), as well as Wolter and Hauser (2001)).

Furthermore, the findings highlight the importance of a non-tangible factor, the still-strong country of origin effect – 'Made in Germany' – and reveal the necessity to provide quality products and proper after-sales support to be successful in the KSA. The products need to comply with the high expectations regarding the 'Made in Germany' tag, and they must be able to work under the extreme climate conditions that occur in the KSA. The findings also confirm existing knowledge regarding the importance of 'Made in Germany' (refer to Feldmeier et al. (2015) and Venohr et al. (2015)) and further enhance existing knowledge by providing empirical insights into this country of origin effect gained from the KSA market. In addition, the study enhances the body of knowledge by confirming that customers in the KSA have high expectations of German products. Furthermore, the findings reveal a strong relevance of 'Made in Germany' as a 'door opener' to distribution partners and end customers. On the other hand, the results also reveal that, contrary to previous times, 'Made in Germany' is no longer a sole sales argument, due to intensive price competition in the KSA market and to new competitors.

On the other hand, German Mittelstand firms are able to specify products based on customer requests; this offers a high level of flexibility for the customer, but also requires intensive consultancy on the Mittelstand firm side. While the products are often of high quality and endurance, they are considered expensive compared to those of competitors. Consequently, Mittelstand firms need to provide additional benefits to convince customers to buy the machinery. Most firms investigated in this study also provide exhaustive after-sales support, for example through trainings in the KSA or Germany, flying technicians to fix the machinery in case of problems, and ensuring spare part availability over the long term. The findings in this context are in accordance with existing knowledge provided by Geyer and Uriep (2012) and contribute to the body of knowledge with KSA-specific insights.

An additional KSA success factor found in this study is a niche focus of the Mittelstand firm. The necessary premiums for the consultancy-intensive product development and production are only possible with a premium-rich niche in the home market and in the KSA. In addition, the specification and focus on a niche help to keep the competition limited, as the potential is naturally limited as well. The findings of this study support the insights gained from previous research (refer to Chung and Yeaple (2008), Kranzusch and Holz (2013) / Rattner (2011)) regarding the need premium-rich niches and confirm the applicability to Mittelstand firms in the MFMTS entering the KSA market.

While most major market entry concepts suggest that SME firms enter markets in a structured approach (refer to section 3.7), this study suggests the contrary: the investigated Mittelstand firms in the MFMTS that entered the KSA market did so in an unstructured way, for example by accepting offers from previous end customers to set up a KSA distribution channel when this was not originally planned. While this could be seen as a disadvantage, it was highlighted as a success factor, as it confirmed the flexibility of Mittelstand firms to adapt, and at the same time provided evidence that the KSA market was interested in the products provided. The findings confirm Nakos and Brouthers's (2002) view that SMEs often do not follow these theories and structures, but tend to act more flexibly.

Finally, this study reveals the positive effects of German foreign trade promotion agencies and business associations on German Mittelstand firms (in a similar fashion to existing knowledge on SMEs; refer to Hauser and Werner (2009)). These effects include enhanced market entry knowledge, KSA customer target group information, the provision of networks within Germany and the KSA of industry- and sector-related firms, and the identification of possible partners along the supply chain. In line with traditional SME research, the findings of this study indicate that Mittelstand firms need to overcome resource restrictions, and that the foreign trade promotion agencies and business associations aim to overcome or at least limit those restrictions as part of active government support programs.

6.2.3 Research objective 2: To investigate the challenges that Mittelstand firms face when entering the Saudi Arabian market and propose options to overcome those challenges

The challenges faced during the market entry and post-entry operations process can be distinguished into factors that can be attributed to the general business environment in the KSA, and factors regarding the intercultural environment of the KSA. Within the first group,

- limited firm resources;
- KSA-specific insights into the appropriate market entry mode;
- the political system;
- the general bureaucracy;
- the legal environment;
- and the Saudi labour nationalisation program

were identified as challenges that occur during the Mittelstand firm market entry into the KSA.

The business environment in Saudi Arabia

Firstly, limited firm resources were identified as a key challenge to a successful market entry in the KSA. In principle, this study confirms with existing knowledge regarding SMEs' and Mittelstand firms' limited resources (refer to Hessels and Parker (2013), Kay et al. (2014), Niu et al. (2013) and Sirmon et al. (2007)). Besides major limitations in receiving the necessary financial funds for expansions abroad, limited human resources for a KSA market entry, necessary intercultural knowledge, and local relationships and networks were all identified as key resource barriers to a market entry and post-entry operations.

Related to the difficulty of accessing local relationships and networks, the market entry mode selection (refer to section 3.6) is limited to a market entry through a foreign trade partner, exporting, agencies, and local distributors or joint ventures. In line with the existing knowledge on SME market entry (refer to Blomstermo et al. (2006) as well as Dow and Larimo (2009)), Mittelstand firms investigated in this study prefer less resource-intensive market entry modes. The existing general knowledge is enhanced by this study with KSA-specific practical advice to avoid sole-exclusivity of market partners in the KSA, in particular due to an intercultural gap between German and Saudi business behaviours.

In this study, the political system with an autocratic monarchy was described from the investor's perspective as slow in its response to open up the market and remove barriers, which is in line with existing knowledge on the KSA, as stated by Bradley (2015) and Lawson (2011). In addition, this study enhances existing knowledge by providing recent insights into the investor's perspective on the political stability and risks involved in a market entry into the KSA.

Related to the political system is the identified challenge of an overarching bureaucracy when entering and operating post-entry in the KSA. While this study confirms the link between the political system and bureaucracy described in the literature (refer to Bradley (2015), Jabbra and Jabbra (2005) and Lawson (2011)), the knowledge is further enhanced with insights from the investor's perspective on bureaucratic barriers to market entry. In particular, the missing transparency and poor communication from the government and its organs were identified as major obstacles during the interviews. In this same vein, this study provides new insights into the effectiveness of the SAGIA, which was solely set up to support in attracting FDI and market entry: there is a major gap between the intended aims and targets and the operational actions. In addition, this research contributes new insights into out-dated knowledge regarding the visas and residence permits, and highlights a need for action on a policy level.

Linked to the political system and the bureaucracy, the legal environment was described during the interviews as non-transparent, with generally poor communication regarding new laws and governing rules that affect Mittelstand firms and/or their representatives. The empirical insights gained in this study confirm Roy and Oliver's (2009) findings, which highlight the major impact of the host country’s legal environment. They list the importance of a well-considered legal background in the host country as one of the most important external influencing factors of a market entry. In the present study, corruption and nepotism were highlighted as real day-to-day operational problems not only in the market entry, but also in the post-entry operations phase. Hence, this study supports existing knowledge (refer to Ahmad (2012) and Wrage (2016)) on the acceptance of nepotism and corruption in the KSA cultural environment. All involved Mittelstand and support-type organisations strictly denied any form of corruption as part of their compliance regulations and business behaviour. This contrast between German Mittelstand firm business values and the cultural environment in the KSA extends existing knowledge on the acceptance of nepotism and corruption in the KSA cultural environment.

Finally, the Saudi labour nationalisation program in its current form is identified as a key challenge in the post-entry operations process. A clear gap is highlighted between enough trained and skilled Saudis in the labour force and the current average skill level; this is in agreement with existing knowledge, as already raised by Looney (2004) and Al-Dosary and Rahman (2005). The success of the program with its current parameters seems questionable. The interviewees saw the linkage of the Saudisation target to the process of gaining and renewing visas and residency permits in particular as a strategic and operational barrier (refer to Forstenlechner (2008)). In that same vein, this study agrees with the existing knowledge (refer to Alsheikh (2015) and Peck (2015)) about (cultural) misperceptions between ‘Westerners’ and Saudis in relation to work ethics and productivity. The study results indicate that a proper reward scheme is necessary in order to avoid high employee fluctuation among expats and Saudis and thereby extends existing knowledge.

The intercultural environment in Saudi Arabia

Challenges identified as part of the intercultural environment in the KSA were

- the overall cultural and religious environments;
- women as part of the work environment;
- the KSA business family and its hierarchy;

- the concepts of trust, commitment, and decision-making;
- the negotiation process;
- the attitude towards time and
- Saudis' expectations of Germans and vice versa.

In line with existing knowledge (refer to Morschett et al. (2010)), this study highlights the importance of respecting the existing culture and religion in the host country for Mittelstand firms and their decision-makers as well as operational managers dealing with the KSA market, and suggests being aware of the intercultural KSA specifics (refer to Hamdan (2005) and Maddux et al. (2011)). This study provides KSA-specific insights into the discrepancies and the fragmentation in society with existing contrasts and contradictions, mainly when dealing between the German and the Saudi cultures. As part of the market entry and post-entry operations process, an adaptation to the business partner in the KSA was identified as crucial for success, which is in line with general, global market entry knowledge. This study offers new insights by contrasting the German 'side' in intercultural communications with the KSA intercultural environment; moreover, differences in the cultural values and social norms are identified. The religious environment, in line with existing KSA knowledge (refer to Ali (2009), Lawson (2011), Long (2005)), was identified as overarching, while often an unclear mix in day-to-day operations between religion, tradition, and cultural influences was identified in new insights into the market entry and post-entry operations process. Furthermore, in line with the business challenges and barriers identified above, the expatriate work environment, based on the challenging intercultural and religious environment, was identified as a key market entry and operational barrier in line with existing knowledge.

Closely linked and related to the cultural and religious environments in the KSA is the female workforce. While women represent roughly half of the overall Saudi workforce, only a small percentage are working or allowed to work. This study reinforces, in line with previous insights (refer to Elamin and Omair (2010) and Sullivan (2012)) into the intercultural environment in the KSA, the importance of focusing on women in the KSA in the coming years, as they seem to be more pro-active and flexible to changing environments than male Saudi colleagues are.

The third challenge identified in this research was the concept of the business family and its internal hierarchy. This study confirms (refer to Abudabbeh (2005), Cassell and Blake (2012) and Heng (2009)) the existence of a strong hierarchical environment with close relationships and existing families in the work and private environments. It advances existing studies with the interviewees' recommendations that managers who want to be successful in the KSA should aim to become members of the 'private' family in order to be successful within the business environment. Furthermore, this study reveals the different organisational concepts that have their roots within the differing intercultural environments: it highlights the difference between often overarching hierarchical KSA firms and conglomerates as business partners on the one hand, and 'lean' low-hierarchy Mittelstand firms on the other, and presents new insights into the build-up of 'virtual' hierarchies when Mittelstand firms deal with Saudi firms.

The concepts of trust, commitment, and decision-making were identified as being linked to each other, and were seen as a major obstacle in the market entry and post-entry process of Mittelstand firms in the KSA. These findings confirm previous studies (refer to Abosag and Lee (2013) and Heng (2009)), and confirm general knowledge regarding the Arabic and Saudi cultures and the long-term relationship building process that is needed in order to gain trust and commitments from business partners before decisions can be made.

The aforementioned trust and decision-making abilities present an additional challenge: the negotiation process. These findings confirm those of existing studies (refer to Heng (2009) and Khakhar and Rammal (2013)) on differing negotiation forms, expectations, and demands from customers based on the intercultural background.

Furthermore, the present study confirms the differing time perspectives between Germans and Saudis based on the intercultural and religious backgrounds of business and negotiation partners as obstacles and challenges. This in line with existing knowledge about the KSA regarding the difference in importance between private and business timing (refer to Cassell and Blake (2012)) and the religious influence on time (refer to Hao (2012)).

Finally, high expectations from all involved parties, such as the Mittelstand headquarters, potential local KSA partners, and customers in the KSA, were also identified as challenges during the market entry and post-operations process. Hence, this study confirms research insights from Bjerke and Al-Meer (1993).

6.2.4 Research objective 3: To examine whether and how existing theory regarding SME market entry applies to German Mittelstand firms in the MFMTS entering the KSA

As part of the systematic literature review, the RBT and network view were reviewed.

The RBT

The RBT was found to be applicable in this study's context with regard to intangible company resources and assets, such as the organisational structure, the flexibility to adapt products to customers' requests, and the decision-makers' international orientation. Furthermore, it was also found to be applicable in terms of tangible resources, such as financial resources. Similar to most SMEs, most Mittelstand firms can be categorised as generally risk-averse (Brutscher et al., 2012; Leick et al., 2012), resources need to be distributed internally with utmost care, and used where they tend to be most suitable for the firm and its strategy.

In line with the research conducted by Brouthers et al. (2008), this study supports the high impact of the host country institutional environment, which influences the market entry mode choice and the performance of the local Saudi Arabian entity. Meyer et al. (2009) indicate a close relationship between the institutional market support and the impact on the host country firm operations. According to the authors, the more host support firms receive, the more they employ market entry modes and operations that require high organisational commitments. However, this close relationship could not be confirmed in the present study. A possible reasons for this could be the general risk-averse approaches taken by Mittelstand firms (Brutscher et al., 2012; Leick et al., 2012), which use limited organisational, financial, and human resources and tend to operate with less organisationally committed market entry modes (Kay et al., 2014; Kranzusch & Holz, 2013).

While the vast majority of the Mittelstand firms within the scope of this study can be placed in the family business category, the present study could not confirm the insights provided by Pukall and Calabrò (2014) on family businesses. The Mittelstand firms investigated in this study do not have limited access to external financial resources. When the owning families or family members involve themselves in the Mittelstand internationalisation, they can provide insights and knowledge based on previous market entries abroad.

In line with Ruzzier, Hisrich, et al. (2006), this study also identified that access to the right resources is crucial for the Mittelstand firm internationalisation. In particular, the study highlighted the challenge of relevant market insights into the culturally diverse KSA market, with its overarching bureaucracy and challenging legal environment. Furthermore, it also demonstrated the challenge of access to human resource talents with previous international experience, both in Germany and the KSA.

This study is in line with that of Agarwal and Ramaswami (1992), who highlight risks associated for small firms when internationalising in particular to high-risk countries. The investigated Mittelstand firms tend to protect their competitive – tangible and intangible – resources by limiting the technical knowledge they share with their local, independent KSA partners.

The Network view

Additionally, this study confirms the applicability of the network view for the MFMTS Mittelstand’s market entry into the KSA. Most of the investigated firms entered the KSA market with a business partner or a previous customer who was then set up as a business partner. As is the case for classical SMEs, resource in Mittelstand firms are often limited (Brutscher et al., 2012; Leick et al., 2012); networking partnerships (on various involvement levels) are an option to overcome these restrictions. The present study also confirmed that Mittelstand firms make use of offers provided by foreign trade promotion agencies and business associations (C. Hauser & Werner, 2009), mainly in terms of market and sector knowledge, but also through networking events with potential suppliers, customers, and competitors, where insights into market specifics are openly shared.

In line with the research conducted by Hadley and Wilson (2003) as well as Morgan and Quack (2006), strong relationships and networks do exist between the Mittelstand firms investigated this study and their partners, suppliers, local chambers of commerce, foreign trade promotion agencies, business associations, and from time to time and in limited formats, even their competitors. This study also confirms the view taken by Chetty and Blankenburg Holm (2000), who state that manufacturing SMEs show a major reliance on their networks and partners, which according to Musteen et al. (2010) can be also a risk, as SME firms need to develop their own capabilities and should not rely too much on networks.

However, none of the Mittelstand firms of this study are part of operational alliances or joint-ventures as networking cooperation formats that share R&D costs, procurement, sales, or manufacturing platforms, as suggested for SMEs by Chetty and Blankenburg Holm (2000), Johanson and Mattsson (2012), and Lu and Beamish (2001). The same is true for Li, Poppo, and Zhou’s (2008) argument that small firms within networks enter culturally diverse and complex markets (compared to their home markets), such as the KSA market, while spreading the risks and resources needed for such a move. Mittelstand firms within the scope of this research tend to be afraid of losing their competitive advantages by working with partners that are at the same time competitors.

This study supports Pukall and Calabrò’s (2014) view that family businesses tend to overcome certain resource weaknesses highlighted in the RBT view (i.e. missing previous international experience) through qualitative factors among the family members, such as trust and altruism. Furthermore, the study confirms that internal family agreements and alignments favour faster decision-making while also positively supporting partnerships and networks (internally and externally), as proposed by the authors.

Holistic theoretical approach to the selection of the market entry strategy

In this study, Mittelstand firms highlighted the link between the two theoretical concepts – the RBT and the network view concepts. Most Mittelstand firms need to overcome resource restrictions and to manage their available resources with utmost care to the benefit of the organisation. In the network view, certain resource restrictions can be overcome, for example by sharing resources among the partners, with the result that fewer resources are involved and the risk is spread among those partners.

The applicability of the aforementioned theories and theoretical concepts furthermore supports the call for a holistic theoretical concept that explains the market entry strategy of SMEs and Mittelstand firms. Coviello and Munro (1997) argue that SME market entries are too complex and multi-faceted and therefore cannot be explained by a single theoretical concept, theory, or mode. In a similar vein, the present study is in line with Laufs and Schwens's (2014) findings regarding 'traditional' SME internationalisation and market entry theories, frameworks and concepts: that most studies nowadays mix various theoretical frameworks and concepts to explain this phenomenon. Coviello and McAuley (1999) furthermore highlight the importance of the internal and external environments of the SME firm, as well as its position within its networks. Moreover, the present study is in line with Coviello and Munro (1997) and Coviello and McAuley (1999), as most Mittelstand firms within this study internationalised to the KSA in their initial steps in an unstructured and random way, contrary to what is expected in most of the theories and concepts. First steps into a more holistic market entry strategy approach have been taken in this direction (refer to section 3.7.3); however, empirical, long-term evidence of the concepts within the international environment are yet to be provided.

6.2.5 Research objective 4: To present the output of this study in the form of recommendations and contributions

As with all doctoral research degrees, the DBA degree shall make an original contribution to knowledge. At Northumbria University, this is stated in the Academic Regulations for

Professional Doctorate Programmes, which characterises the Professional Doctorate Award (University of Northumbria at Newcastle, 2014, p. 1) as follows:

> *[...] results in a substantial and original submission which makes an original contribution to knowledge and understanding within the student's area of professional practice.*

Within the following sections the original contributions for both, practice and policy as well as theory shall be presented.

6.2.5.1 Recommendations for practice and policy

The objective of this section is to provide practical insights for policy-makers and managers who aim to support Mittelstand firms in the MFMTS in entering the Saudi Arabian market. The findings of this study highlight the need to have certain skills and experiences within the Mittelstand firm, or at least to have access to them via a network partner.

Recommendations for practice

In line with a superior home organisational structure, the firms' products and services need to be of relevance within the home market, existing markets abroad, and the KSA market. As the global competition increases, firms that have strongly supported their after-sales business and services in the past seem to be more successful in the KSA than those that have not. Insights from this study indicate that 'all-inclusive' packages are of interest in the KSA market. This means that for a fixed price, the machine is adapted based on the customer's requirements; that the local staff are trained; and that there is long-lasting after-sales and maintenance support for the machine in case of potential issues. Firms that are willing to enter the KSA market but that are missing the aforementioned criteria should consider adapting their product and service offerings and marketing them accordingly.

Although the tag 'Made in Germany' is no longer a sole sales argument in the KSA, a strong link between the product, the after-sales support, and the country of origin effect is identified as helpful during negotiations with potential partners and customers. The insights gained in this study highlighted the issues in which there is demand for 'Made in Germany' machinery, but not the willingness to pay higher prices than those of the competition from other markets. As a consequence, Mittelstand firms need to be more actively engaged in providing potential customers with reasons to buy 'Made in Germany' machinery. From the perspective of the end customer, the quality of the purchased products is of the highest importance. Based on these insights, German Mittelstand firms should more actively promote their German origins and production sites. This could be done via more direct marketing communication to promote 'Made in Germany' and the quality for which it stands; by offering customers the opportunity to see the headquarters and production facilities along with major German cultural attractions; or by providing 'look and feel' trips to examine Mittelstand machinery owned by existing customers within the KSA or abroad to allow prospective customers to personally feel the quality of the machinery.

After the purchase of machinery, the subsequent maintenance and supply of spare parts for the customer's machinery is crucial. The recommendation in line with the quality promises made under the 'Made in Germany' tag is for the Mittelstand firm to employ 'flying doctors' who can provide immediate support in case of a machine break-down, and who are also able to train members of staff at the customer's premises on how to maximise the output of the machine and to conduct basic maintenance. Due to intercultural complications, a bilingual speaker (English-Arabic) would be necessary to fulfil such as role. As a support, bilingual videos could be provided by the Mittelstand firm, offering insights into basic usage, maintenance, and servicing. Moreover, in line with the maintenance of the machinery, spare-parts supply should be efficiently managed. Due to Mittelstand firms' size and number of customers, a local/regional warehouse would likely not be efficient. As a consequence, spare-parts supply from the German headquarters needs to be available, efficient, fast, and cost-effective. To this end, cooperation with a major, globally active, and reliable courier service is highly recommended.

In line with the product and after-sales portfolio, the product and service niche and strategy are crucial for success. Again, the home market, other markets abroad, and the KSA market should offer such a premium niche in order to be successful during and after a market entry. Positioning within the niche towards the more premium side is found to be helpful as well.

The process of entering the Saudi Arabian market is strongly supported by previous international experience and intercultural awareness, as well as preferably previous knowledge of market entry in EMs. At best, previous experience within the KSA (e.g. through a previous job) or the GCC region is available as a reliable source of information on the market, its culture, and business behaviours. It is advantageous to have Arabic language skills and knowledge of the Quran and Islamic rules in order to understand the different cultural and legal frameworks. Mittelstand firms missing the above could hire talent from competitors or in the long term develop own in-house talent. While skills are important, insights gained from the data collection reveal that the right attitude and will are as important as profound knowledge and understanding of the KSA.

Further details about the Saudi specifics might be learned by leveraging one's own personal or business networks, for example along the supply chain or from competitors. In addition, foreign trade promotion agencies and business associations are identified as helpful and supportive in gaining access to insights while further developing own networks.

Mittelstand firms that are interested in the KSA market and its potential need to have a local presence. This does not necessarily imply a full joint-venture: it could also entail the market representation with a well-connected and established importer/dealer/distributor; or being part of a business network with members along the firm's own supply-chain, or the local German Chamber of Commerce in the KSA. The importance of networking and the exchange of information to gain the latest legal, political, and economic insights and practical interpretations cannot be overstated; this is the key to dealing with the KSA market and its customers while avoiding legal and operational issues.

In case of an importer/dealer/distributor representation, focus should be placed on the local owning family and its socio-cultural, economic, and political standing and insights within the KSA before making an official appointment. It would be preferable for the representation not to happen in a monopolistic form, but instead in a competitive form, i.e. with one representative in each of the major regions (west, central, and east).

Once a local presence in the KSA market has been established, a reliable and long-term human resource strategy should be enforced. Ideally, this should be a combination of western expatriates who provide the necessary technical input and business procedures as required by the German headquarters to deliver the promised high standards; and local talent that is well connected within the KSA society and can provide local insights, mainly in terms of legal changes, adequate marketing and sales procedures, and support in the after-sales functions. A particular focus should be placed on training and development, in particular of the local staff, as this is required by local law to increase Saudisation. Furthermore the high standards and targets that most Mittelstand firms tend to set themselves are likely not to be achieved without the necessary training and development measures.

Recommendations for policy-makers

From the perspective of policy-makers, in the short term a strong focus should be kept on supporting Mittelstand firms through foreign trade promotion agencies and other support-type organisations, as well as networking committees and events. Mittelstand firm challenges such as limited knowledge resources and networks could be overcome in this way. Specific trainings for decision-makers and operational management should be provided to prepare the participants for upcoming challenges while also raising awareness of cultural differences and how to react in case of intercultural problems.

In the medium term, the German federal government should work towards trade agreements with the GCC markets and in particular the KSA market to reduce tariffs and other restrictions while aligning standards and norms in order to clear products less bureaucratically and more quickly. Furthermore, the governments should work together to reduce bureaucratic and legal barriers, and should insist on equal opportunities for women and men in the KSA. Closely related to what has been done by other countries and governments, opportunities could be intergovernmental consultations between the two countries to work together on arising challenges and issues, for example.

In the medium to long term it would be appreciated in general from the Mittelstand firm side to enhance the existing intercultural exchange and networks between Germany and the KSA, for example with school, apprenticeship, and university exchange programs, as well as trainee programs for future generations; in addition, knowledge and information exchange would also be beneficial on the firm level. Furthermore, an extended focus should be placed on partnerships between the two countries (for example on fairs and events). By doing so, intercultural barriers would be reduced and an understanding of the cultural and religious backgrounds of the other party could be achieved. In addition, in time, the Mittelstand firms could potentially attract specialists with profound knowledge of and insights into the KSA and its intercultural environment; these specialists are urgently needed.

6.2.5.2 Contributions to knowledge

To the best of the present author's knowledge from the research undertaken in this study, this study is the first to focus on the entry and post-entry operations process of German Mittelstand firms in the MFMTS entering the Saudi Arabian market. Therefore, this thesis contributes to the knowledge extension by providing a unique piece of work to close the existing research gap.

In line with recent calls for more holistic models, conceptualisations, and approaches (refer to section 3.7.3), this thesis further contributes to the body of knowledge with a proposed process conceptualisation of an MFMTS Mittelstand firm's market entry into the KSA (refer to Figure 29). The conceptualisation is based on the findings of this study, and links the success factors and challenges identified in this thesis with existing theoretical concepts that were found to be applicable in the context of this research. The conceptualisation follows four steps, of which the first three steps provide direct links to the research objectives of this empirical study, the subsequent analysis, and the findings.

As the first step, Mittelstand firms should analyse their internal success factors under the premise of a market entry into the KSA and subsequent post-entry operations. The results on this study highlighted seven internal success factors (refer to research objective 1). The more these success factors exist and are fully utilised, the more an entry into the KSA should be considered. Second, once a decision to enter the KSA market has been made, the firm and its management should consider overcoming potential challenges (step 2; refer to research objective 2) that may occur during the market entry and post-entry operations phase. The challenges identified in this empirical study can be categorised into challenges that can be accounted for by the business environment, and by the intercultural environment in the KSA. Mittelstand firms should make themselves highly aware of the highlighted challenges and aim to overcome them, mainly using their internal strengths (refer to step 1).

This study highlighted two theoretical concepts that are applicable for Mittelstand firms in the MFMTS that aim to enter the KSA market: the RBT and the network view (refer to research objective 3). Firms tend to use a hybrid mode that includes components from both concepts to create the most suitable concept for themselves. Based on the conducted analysis of strengths (mainly in the form of previous market entries and post-entry operations) and challenges ahead, the Mittelstand firm should, as a third step, choose which theoretical approach to follow.

Subsequently, and based on the decision made in the previous step, the market entry mode and subsequent decisions should become clear (step four). If the RBT is chosen as an appropriate market entry strategy, chances of less resource-intensive market entry modes become more realistic for a KSA market entry. On the other hand, if the network view is chosen as the market entry strategy, cooperative market entry modes (i.e. through a dealer/representative network) are likely to be pursued. Referring back to research objective 3 of this study and step 3 of this conceptualisation, a hybrid market entry mode with characteristics of the RBT and the network view concepts may be applicable for the Mittelstand firm within the KSA context as well. In such a case, resource restrictions from the RBT may be (partially) overcome through a cooperation with one or more network partner(s).

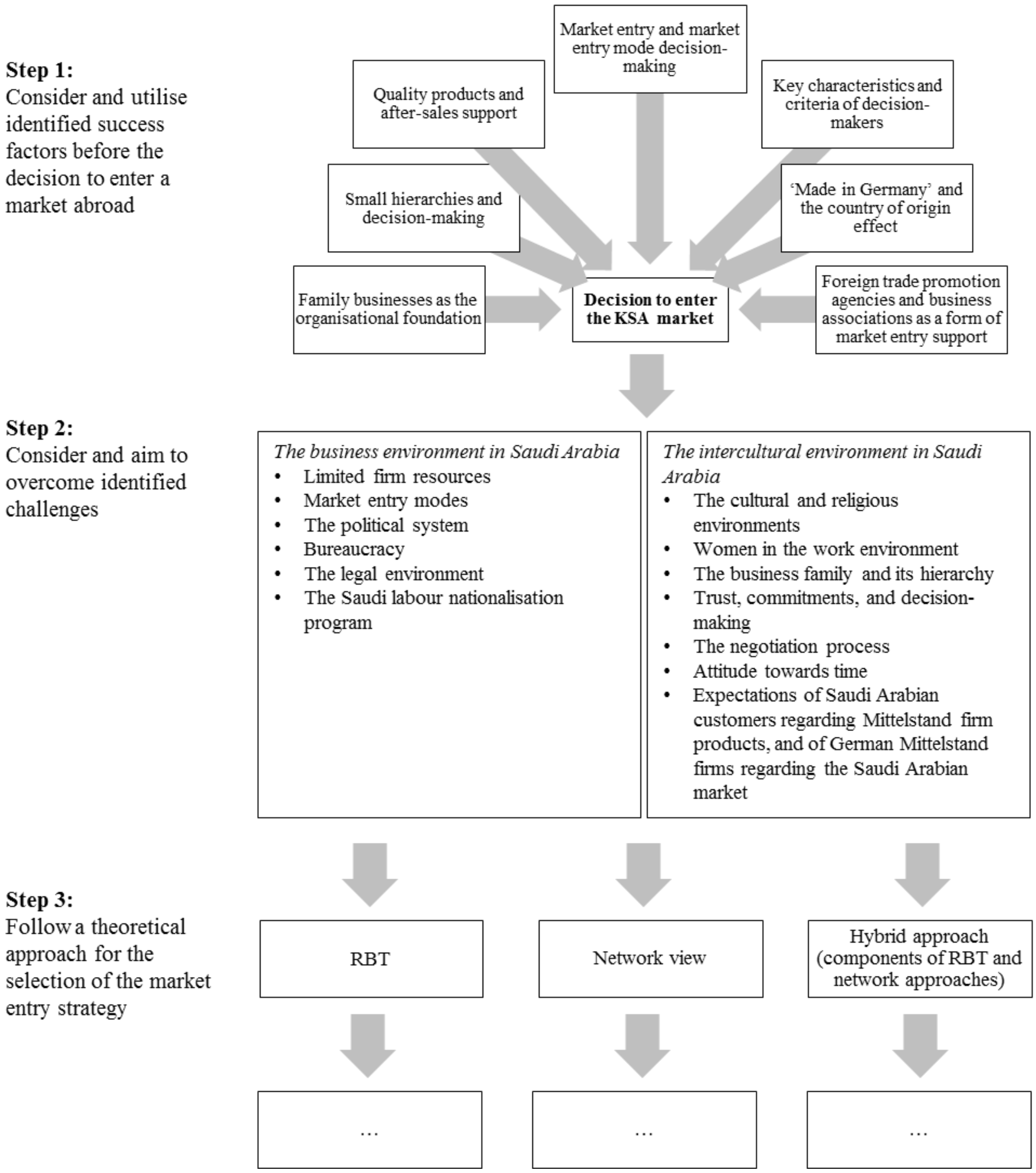


Figure 29: Proposed process conceptualisation of an MFMTS Mittelstand market entry into the KSA

Source: Constructed by the author.

As has been demonstrated, the Mittelstand firm's market entry into the KSA is a complex and enduring process, with various stakeholders, and tangible and intangible, internal and external challenges and restrictions to overcome. Naturally, a visualisation of this market entry process differs even between firms in a similar organisational form (Mittelstand), within the same sector (MFMTS), and with the same target country for the business expansion (the KSA).

The aforementioned and presented conceptualisation of the market entry process into the KSA is based on the empirical insights obtained in this study. It was presented to and validated by two of the interviewed Mittelstand principals, as well as by one principal of the support-type organisations. While every sub-step of the conceptualisation may not be applicable to each and every Mittelstand firm in the MFMTS, the interviewees' feedback was generally positive and found to be useful.

The conceptualisation presented in Figure 29 is the present author's original contribution to the body of knowledge. Within this conceptualisation, which was found to be applicable and useful by some of the Mittelstand and institutional representatives, the author of this study includes the following: insights gained from research objective 1 (success factors of the Mittelstand firm for a KSA market entry); challenges that may occur during the market entry (research objective 2); and options of theoretical concepts and theories that were found to be applicable in this context (research objective 3).

6.3 Limitations

Naturally, as every study does, this one has its limitations (Shipman, 2014). According to Lynch and Welch (2014, p. 365), limitations can be defined as '*[...] influences that the researcher cannot control [...]'.* Within this thesis, potential limitations could be restrictions in the availability of resources: on the one hand, the limited financial resources available for writing a thesis and, on the other, the natural limitations of a doctoral program in terms of available time for the overall thesis and data collection.

The nature of the thesis as well as requirements in terms of formats, points, and structures to be included could also be seen as potential limitations.

Further limitations exist in qualitative research when interviews are employed as a primary data collection method, as the outcome of the research findings cannot be generalised, but instead can only apply to the chosen research sample. Furthermore, the interviewer's presence and potential bias could influence the outcome and the interviewees' answers. Moreover, the nature of the data collection and the interview transcription process also makes interviewing a time-consuming data collection method. During the analysis and presentation of interviews, complications may also arise as results may not fit neatly into 'standard categories', but may instead evolve into complex scenarios.

This research focused on south-western principals of Mittelstand firms in the MFMTS and principals of support-type organisations (refer to section 4.4.2). As a result, the research focus was limited both geographically and organisationally in order to achieve meaningful results. On the other hand, this narrow focus, and in particular its geographical limits, could also be seen as a limitation.

Furthermore, the cross-language approach taken by the researcher could be seen as a limitation, as it is possible that fragments of the interviewees' answers were lost during the translation process. As a result, the researcher gave the utmost importance to the translation process and completed it with great care.

The analysis tool employed in this study, TA, can also be seen as a limitation: the concept has its strengths and weaknesses, as previously identified in section 4.4.4.

6.4 Suggestions for future research

Within this study, intercultural and previous international knowledge as well as a reliable business network abroad were identified as key resources for a market entry and post-entry operations in the KSA. Further insights into how Mittelstand firms gain their intercultural knowledge and business networks abroad could be helpful to understand how Mittelstand firms enter markets abroad and are successful beyond the post-entry phase.

Because the KSA is an EM, a comparative study of German Mittelstand firms in the MFMTS entering another culturally diverse EM could be advantageous, mainly to test the firms' internal success factors.

Alternatively, a relevant Mittelstand sector other than the MFMTS could be investigated to identify whether the findings of this study can also be extended to other sectors.

Future research could furthermore be conducted using alternative methodologies. As this thesis aimed to gain insights into how and why Mittelstand firms enter the Saudi Arabian market, a qualitative research approach was taken to identify and measure the strength of relationships in the findings. As a next step, the identified correlations could be examined using a quantitative research approach.

A second suggestion for future research is to conduct the same study with a larger sample to test whether the findings of this study remain valid. To this end, the sample would need to be extended beyond south-west Germany. As an alternative, another data collection approach could be used, for example in the form of unstructured interviews or case studies, to investigate possible differing findings.

Moreover, a longitudinal study could provide insights into firms' success after their market entry and their first steps in the KSA market. Information could be gained regarding whether those firms were truly successful in achieving the organisational objectives that they set for this market. The study could investigate the reasons for their success or, conversely, identify the issues that contributed to their failure. Such insights could be gained through (semi-structured) interviews, case studies, or questionnaires, as well as a combination of various data collection methods.

6.5 Summary

This chapter presented conclusions and recommendations of this empirical study both generally and specifically by answering the research question and addressing the four research objectives (refer to section 1.3) based on the conducted data analysis and findings.

This study investigated the patterns of successful German Mittelstand entry and post-entry operations in the KSA market (research objective 1) and provided a list of success factors based on the empirical research. Furthermore, the study investigated the challenges (structured along the business environment as well as the intercultural environment) that Mittelstand firms in the MFMTS face when entering the KSA, and provided insights into how to overcome those challenges (research objective 2). In addition, research objective 3 was achieved by providing two theoretical concepts that were found to be not only applicable for SMEs according to other authors, but also for German Mittelstand firms in the MFMTS entering the KSA. Based on the conducted empirical study, the RBT and the network view were found to be applicable as theoretical concepts, as was a hybrid version of the two concepts, in line with recent calls from the literature. Finally, recommendations and contributions to both practice and theory were provided in response to research objective 4. As part of the knowledge contribution, a process conceptualisation based on the empirical study was designed to link the insights gained from the secondary research (chapters 2 and 3), from the primary data analysis (chapters 3 and 4), and from the findings and analysis of chapter 5. This resulted in the conclusions and recommendations, and in the answer to the original research question. Thus, the research objectives and aim of this study were successfully achieved.

References

Abosag, I., & Lee, J.-W. (2013). The formation of trust and commitment in business relationships in the Middle East: Understanding Et-Moone relationships. *International Business Review*, *22*(3), 602–614. https://doi.org/10.1016/j.ibusrev.2012.09.002

Abudabbeh, N. (2005). Chapter 31: Arab Families - An overview. In M. McGoldrick, J. Giordano, & N. Garcia-Preto (Eds.), *Ethnicity and family therapy* (3rd ed, pp. 423–436). New York: Guilford Press.

Abu-Nasr, D. (2013, June 5). Saudi Women More Educated Than Men Are Wasted Resource. Retrieved 28 July 2016, from http://www.bloomberg.com/news/articles/2013-06-04/saudi-women-more-educated-than-men-are-wasted-resource

Adelman, M. B., & Lustig, M. W. (1981). Intercultural communication problems as perceived by Saudi Arabian and American managers. *International Journal of Intercultural Relations*, *5*(4), 349–363. https://doi.org/10.1016/0147-1767(81)90047-X

Agarwal, S., & Ramaswami, S. N. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internationalization Factors. *Journal of International Business Studies*, *23*(1), 1–27.

Ahearn, R. J. (2012). Europe’s Preferential Trade Agreements: Status, Content, and Implications. *Current Politics & Economics of Europe*, *23*(2), 181–226.

Ahmad, S. Z. (2011). Businesswomen in the Kingdom of Saudi Arabia: Characteristic, growth patterns and progression in a regional context. *Equality, Diversity and Inclusion: An International Journal*, *30*(7), 610–614. https://doi.org/10.1108/02610151111167052

Ahmad, S. Z. (2012). Micro, small and medium-sized enterprises development in the Kingdom of Saudi Arabia: Problems and constraints. *World Journal of Entrepreneurship, Management and Sustainable Development*, *8*(4), 217–232. https://doi.org/10.1108/20425961211276606

Al Nami Law Firm. (2014). Judicial & Courts System in KSA. Retrieved 30 July 2014, from http://alnamilawfirm.sa/site/practice-areas/judicial-and-courts-system-in-saudi-arabia

al-Seghayer, K. (2013, February 26). The problems of punctuality and productivity in Saudi Arabia. Retrieved 2 July 2017, from http://www.alarabiya.net/views/2013/02/26/268452.html

Al Yahmady, H. H., & Alabri, S. S. (2013). Using NVivo for data analysis in qualitative research. *International Interdisciplinary Journal of Education*, *2*(2), 181–186.

Al-Asfour, A., & Khan, S. A. (2014). Workforce localization in the Kingdom of Saudi Arabia: issues and challenges. *Human Resource Development International*, *17*(2), 243–253.

Al-Dosary, A. S., & Rahman, S. M. (2005). Saudization (localization)–a critical review. *Human Resource Development International*, *8*(4), 495–502.

Al-Dosary, A. S., & Rahman, S. M. (2009). The role of the private sector towards Saudisation (localisation). *International Journal of Arab Culture, Management and Sustainable Development*, *1*(2), 131–143.

Aldraehim, M. S., Edwards, S. L., Watson, J. A., & Chan, T. (2012). Cultural impact on e-service use in Saudi Arabia : the role of nepotism. *International Journal for Infonomics*, *5*(3/4), 655–662.

Alhamad, H. S. (2014). The Labor Market in Saudi Arabia: Foreign Workers, Unemployment, and Minimum Wage. *Inquiries Journal/Student Pulse*, *6*(06). Retrieved from http://www.inquiriesjournal.com/a?id=905

Ali, A. (2009). *Business and management environment in Saudi Arabia: challenges and opportunities for multinational corporations*. New York: Routledge.

Almunia, M., Benetrix, A., Eichengreen, B., O'Rourke, K. H., & Rua, G. (2010). From great depression to great credit crisis: similarities, differences and lessons. *Economic Policy*, *25*(62), 219–265.

Al-Qahtani, F. (2016, June 29). New Nitaqat to end expats' dominance. *Saudi Gazette*. Retrieved from http://saudigazette.com.sa/saudi-arabia/new-nitaqat-end-expats-dominance/

Al-Rasheed, M. (2013). *A most masculine state: gender, politics and religion in Saudi Arabia*. Cambridge ; New York: Cambridge University Press.

Alsheikh, H. M. (2015). *Current progress in the nationalisation programmes in Saudi Arabia* (Gulf Labour Markets and Migration No. 02/2015). Migration Policy Centre. Retrieved from http://cadmus.eui.eu//handle/1814/34580

Altorki, S. (2000). The concept and practice of citizenship in Saudi Arabia. In S. Joseph, *Gender and citizenship in the Middle East* (pp. 215–236). New York: Syracuse University Press.

Alvesson, M., & Ashcraft, K. (2012). Interviews. In G. Symon & C. Cassell (Eds.), *Qualitative Organizational Research: Core Methods and Current Challenges* (pp. 239–257). London: SAGE.

Al-Waqfi, M., & Forstenlechner, I. (2010). Stereotyping of citizens in an expatriate-dominated labour market: Implications for workforce localisation policy. *Employee Relations*, *32*(4), 364–381.

Ambah, F. S. (2009, January 15). Aspiring Saudi Filmmakers Challenge Kingdom's Strict Mores, Movie Theater Ban. *The Washington Post*. Retrieved from http://www.washingtonpost.com/wp-dyn/content/article/2009/01/14/AR2009011404314.html

Amnesty International USA. (2016). King Salman's first year in power in Saudi Arabia has been a dark year for human rights. Retrieved 27 August 2016, from http://www.amnestyusa.org/news/press-releases/king-salman-s-first-year-in-power-in-saudi-arabia-has-been-a-dark-year-for-human-rights

Andersen, P., Ahmad, S. Z., & Chan, W. M. (2014). Revisiting the Theories of Internationalization and Foreign Market Entry Mode: A Critical Review. *International Journal of Business & Commerce*, *4*(1), 37–86.

Andersson, S., Gabrielsson, J., & Wictor, I. (2004). International activities in small firms: examining factors influencing the internationalization and export growth of small firms. *Canadian Journal of Administrative Sciences*, *21*(1), 22–34.

Arab News. (2014, April 28). Turnover trend among Saudi staff 'on the rise'. Retrieved 25 July 2016, from http://www.arabnews.com/news/562166

Arab News. (2016a, May 5). New Nitaqat under Vision 2030. Retrieved 14 September 2016, from http://www.arabnews.com/news/new-nitaqat-under-vision-2030

Arab News. (2016b, May 28). Confirmed: Riyal peg to dollar. Retrieved 17 June 2017, from http://www.arabnews.com/node/930961/saudi-arabia

Arab News. (2016c, June 12). 'Balanced Nitaqat' to be unveiled. Retrieved 14 September 2016, from http://www.arabnews.com/node/938296/saudi-arabia

Atherton, A., & Elsmore, P. (2007). Structuring qualitative enquiry in management and organization research: A dialogue on the merits of using software for qualitative data analysis. *Qualitative Research in Organizations and Management: An International Journal*, *2*(1), 62–77. https://doi.org/10.1108/17465640710749117

Audretsch, D. B., & Lehmann, E. (2016). Chapter 7: Made in Germany. In *The seven secrets of Germany: economic resilience in an era of global turbulence* (pp. 153–164). New York: Oxford University Press.

Ayres, A. (2014, July 30). India: Tough Talk And The Bali Trade Facilitation Agreement. Retrieved 8 August 2014, from http://www.forbes.com/sites/alyssaayres/2014/07/30/india-tough-talk-and-the-bali-trade-facilitation-agreement-2/

Ayyagari, M., Beck, T., & Demirguc-Kunt, A. (2007). Small and Medium Enterprises Across the Globe. *Small Business Economics*, *29*(4), 415–434.

Baden-Württemberg international. (2014, March 31). VDMA und Baden-Württemberg International wollen auch in Zukunft eng zusammenarbeiten. Retrieved 12 September 2016, from http://www.bw-i.de/services/presse-aktuelles/meldungen/einzelansicht/ansicht/vdma-und-baden-wuerttemberg-international-wollen-auch-in-zukunft-eng-zusammenarbeiten.html

Baden-Württemberg Invest. (2014). Mechanical engineering in Baden-Württemberg. Retrieved 13 June 2014, from http://www.bw-invest.de/en/home/market-overview/sectors/technology/mechanical-engineering/mechanical-engineering/mechanical-engineering-in-baden-wuerttemberg.html

Baden-Württemberg Ministry for Finance and Economics. (2016, August 2). Economic Facts and Figures Baden-Württemberg 2016. Retrieved 12 September 2016, from https://www.baden-wuerttemberg.de/fileadmin/redaktion/m-wm/intern/Publikationen/Wirtschaftsstandort/WirtschaftsdatenBW_2016_englisch.pdf

Baden-Württemberg Statistics Office. (2016, August 23). Bevölkerung Baden-Württembergs nach Alters- und Geburtsjahren. Retrieved 12 September 2016, from http://www.statistik-bw.de/BevoelkGebiet/Alter/bev_altersjahre.jsp

Bagwell, K. (2007). Chapter 28 The Economic Analysis of Advertising. In M. Armstrong & R. Porter (Eds.), *Handbook of Industrial Organization* (Vol. 3, pp. 1701–1844). London: Elsevier.

Baldwin, R., Kawai, M., & Wignaraja, G. (2014). *A World Trade Organization for the 21st Century*. Cheltenham: Edward Elgar Publishing.

Bannò, M., & Sgobbi, F. (2010). Firm participation in financial incentive programmes: The case of subsidies for outward internationalisation. *Journal of Policy Modeling*, *32*(6), 792–803.

Barmeyer, C. I., & Franklin, P. (Eds.). (2016). *Intercultural management: a case-based approach to achieving complementarity and synergy*. New York: Palgrave Macmillan.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120.

Barney, J. B., Ketchen, D. J., & Wright, M. (2011). The future of resource-based theory revitalization or decline? *Journal of Management*, *37*(5), 1299–1315.

Barney, J. B., Ketchen, D. J., Wright, M., Wan, W. P., Hoskisson, R. E., Short, J. C., & Yiu, D. W. (2011). Resource-Based Theory and Corporate Diversification: Accomplishments and Opportunities. *Journal of Management*, *37*(5), 1335–1368. https://doi.org/10.1177/0149206310391804

Bell, A., & van der Scheer, B. (2013). *Firm Internationalisation* (Occasional Paper No. 03). Wellington: Ministry of Business, Innovation & Employment. Retrieved from http://www.mbie.govt.nz/about-us/publications/occasional-papers/2013-occasional-papers/13-03.pdf

Bell, J., Crick, D., & Young, S. (2004). Small firm internationalization and business strategy an exploratory study of 'knowledge-intensive'and 'traditional'manufacturing firms in the UK. *International Small Business Journal*, *22*(1), 23–56.

Bell, S. (2015, September 1). Small and Medium Enterprises (SMEs) Finance [Text/HTML]. Retrieved 16 June 2017, from http://www.worldbank.org/en/topic/financialsector/brief/smes-finance

Berlemann, M., & Jahn, V. (2016). Regional Importance of Mittelstand Firms and Innovation Performance. *Regional Studies*, *50*(11), 1819–1833. https://doi.org/10.1080/00343404.2015.1058923

Bernal, S. M. H., Burr, C., & Johnsen, R. E. (2002). Competitor networks: international competitiveness through collaboration: The case of small freight forwarders in the High-Tech Forwarder Network. *International Journal of Entrepreneurial Behaviour & Research*, *8*(5), 239–253.

Bernstorff, C. von (Ed.). (2009). *Der Exportvertrag: mit praxisnahen Erläuterungen zu Vertragsklauseln Deutsch-Englisch ; Vorteile nutzen, Risiken vermeiden, Abschluss sichern* (2nd ed.). Köln: Bundesanzeiger-Verlag.

Bhuian, S. N., & Al-Jabri, I. M. (1996). Expatriate turnover tendencies in Saudi Arabia: an empirical examination. *The International Journal of Organizational Analysis*, *4*(4), 393–407. https://doi.org/10.1108/eb028858

Bilbao-Osorio, B., Dutta, S., & Lanvin, B. (2016). *Global Information Technology Report 2016* (Global Information Technology Report). Geneva: World Economic Forum. Retrieved from http://www3.weforum.org/docs/GITR2016/WEF_GITR_Full_Report.pdf

Bjerke, B., & Al-Meer, A. (1993). Culture′s Consequences: Management in Saudi Arabia. *Leadership & Organization Development Journal*, *14*(2), 30–35. https://doi.org/10.1108/01437739310032700

Björkman, I., & Forsgren, M. (2000). Nordic International Business Research. *International Studies of Management & Organization*, *30*(1), 6.

Björn, H. (2011). Managementpraxis: Drei Geschäftsführer international erfolgreicher Mittelständler im Interview. *Zeitschrift für Management*, *6*(1), 79–92. https://doi.org/10.1007/s12354-011-0140-6

Bjørnskov, C., & Potrafke, N. (2011). Politics and privatization in Central and Eastern Europe. *Economics of Transition*, *19*(2), 201–230.

Black, I. (2016, January 20). Saudi king's son drives reforms and war in a year of anxiety and change. *The Guardian*. Retrieved from https://www.theguardian.com/world/2016/jan/20/saudi-royals-best-of-the-worst-yemen-king-salman-saudi-arabia

Block, J., & Spiegel, F. (2011). *Family firms and regional innovation activity: Evidence from the German Mittelstand* (MPRA Paper No. 28604). Munich: University of Munich.

Blomstermo, A., Sharma, D. D., & Sallis, J. (2006). Choice of foreign market entry mode in service firms. *International Marketing Review*, *23*(2), 211–229.

BMI Research. (2016). *Saudi Arabia Country Risk Report* (Country Risk Report No. 4) (pp. 1–43). London: BMI Research.

Böhmer, M., Hoch, M., Schlesinger, J., Weiß, J., Winter, C., Mair, S., … Andrich, D. (2012). *Wachstumsmärkte für die deutsche Industrie - eine Auswahl jenseits der BRICS*. Berlin: Federation of German Industries.

Börner, F. A. (2015). Mittelstand und Globalisierung. In G. Fahrenschon, G. A. Kirchhoff, & B. D. Simmert (Eds.), *Mittelstand - Motor und Zukunft der deutschen Wirtschaft: Erfolgskonzepte für Management, Finanzierung und Organisation* (pp. 469–475). Wiesbaden: Springer Fachmedien Wiesbaden. Retrieved from http://dx.doi.org/10.1007/978-3-658-09049-4_36

Bradley, J. R. (2015). *Saudi arabia exposed inside a kingdom in crisis*. New York: St. Martin's Press. Retrieved from http://rbdigital.oneclickdigital.com

Bronckers, M. C. (2001). More Power to the WTO? *Journal of International Economic Law*, *4*(1), 41–65.

Brooks, J., & King, N. (2012). Qualitative psychology in the real world: the utility of template analysis. Presented at the 2012 British Psychological Society Annual Conference, London.

Brouthers, K. D., & Brouthers, L. E. (2003). Why service and manufacturing entry mode choices differ: the influence of transaction cost factors, risk and trust. *Journal of Management Studies*, *40*(5), 1179–1204.

Brouthers, K. D., Brouthers, L. E., & Werner, S. (2008). Resource-Based Advantages in an International Context. *Journal of Management*, *34*(2), 189–217.

Brouthers, K. D., & Hennart, J.-F. (2007). Boundaries of the Firm: Insights From International Entry Mode Research. *Journal of Management*, *33*(3), 395–425. https://doi.org/10.1177/0149206307300817

Brutscher, P., Raschen, M., Schwartz, M., & Zimmermann, V. (2012). *Internationalisation in Germany's SME sector*. Frankfurt am Main: German Reconstruction Loan Corporation.

Bryant, C. (2012, August 6). A model that everyone wants. *Financial Times*. Retrieved from http://www.ft.com/cms/s/0/cdd959be-dfbe-11e1-b81c-00144feab49a.html#axzz3G1qeZ8HG

Bryman, A. (2004). *Social research methods* (2nd ed.). Oxford: Oxford University Press.

Buchanan, D. A. (2012). Case Studies in Organizational Research. In G. Symon & C. Cassell (Eds.), *Qualitative Organizational Research: Core Methods and Current Challenges* (pp. 351–370). London: SAGE.

Burke, J. R. (1997). Examining the validity structure of qualitative research. *Education*, *118*(2), 282–293.

Burr, V. (2015). *Social constructionism* (3rd ed.). Hove, East Sussex ; New York, NY: Routledge, Taylor & Francis Group.

Calof, J. L., & Beamish, P. W. (1995). Adapting to Foreign Markets: Explaining Internationalization. *International Business Review*, *4*(2), 115–131.

Canabal, A., & White, G. O. (2008). Entry mode research: Past and future. *International Business Review*, *17*(3), 267–284.

Carpenter, J. (2012). *Researchers of Tomorrow - The research behaviour of Generation Y doctoral students*. London: Education for Change.

Carstairs, R. T., & Welch, L. S. (1982). Licensing and the internationalization of smaller companies: Some Australian evidence. *Management International Review*, *22*(3), 33–44.

Carter, S., Jones-Evans, D., & Ibeh, K. (Eds.). (2012). Chapter 23 - Internationalisation and entrepreneurial busineses. In *Enterprise and small business: principles, practice and policy* (3rd ed., pp. 430–449). Essex: Pearson Education.

Cassell, C., Buehring, A., Symon, G., Johnson, P., & Bishop, V. (2006). *Qualitative management research: a thematic analysis of interviews with stakeholders in the field* (Project Report No. H33250006). Swindon: Economic and Social Research Council.

Cassell, M. A., & Blake, R. J. (2012). Analysis Of Hofstede's 5-D Model: The Implications Of Conducting Business In Saudi Arabia. *International Journal of Management & Information Systems*, *16*(2), 151.

Castells, M. (2010). Globalisation, networking, urbanisation: Reflections on the spatial dynamics of the information age. *Urban Studies*, *47*(13), 2737–2745.

Cavusgil, S. T., & Nevin, J. R. (1981). Internal Determinants of Export Marketing Behavior: An Empirical Investigation. *Journal of Marketing Research*, *18*(1), 114–119.

Central Intelligence Agency. (2016a, August 15). The World Factbook - Saudi Arabia. Retrieved from https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html

Central Intelligence Agency. (2016b, August 25). The World Factbook - Germany. Retrieved from https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html

Cerrato, D., & Piva, M. (2012). The internationalization of small and medium-sized enterprises: the effect of family management, human capital and foreign ownership. *Journal of Management & Governance*, *16*(4), 617–644.

Chandra, Y., Styles, C., & Wilkinson, I. (2009). The recognition of first time international entrepreneurial opportunities: Evidence from firms in knowledge-based industries. *International Marketing Review*, *26*(1), 30–61. https://doi.org/10.1108/02651330910933195

Chetty, S., & Campbell-Hunt, C. (2003). Paths to internationalisation among small- to medium-sized firms: A global versus regional approach. *European Journal of Marketing*, *37*(5/6), 796–820. https://doi.org/10.1108/03090560310465152

Chetty, S. K., & Blankenburg Holm, D. (2000). Internationalisation of small to medium-sized manufacturing firms: a network approach. *International Business Review*, *9*(1), 77–93.

Chittenden, F., Kauser, S., & Poutziouris, P. (2003). Tax regulation and small business in the USA, UK, Australia and New Zealand. *International Small Business Journal*, *21*(1), 93–115.

Cho, D.-S., Moon, H.-C., & Kim, M.-Y. (2009). Does one size fit all? A dual double diamond approach to country-specific advantages. *Asian Business & Management*, *8*(1), 83–102.

Choi, T. (2010). Interconnection between motives and performances of internationalisation processes (pp. 1–7). Presented at the 30th Annual International Conference of the Strategic Management Society, Rome.

Chung, W., & Yeaple, S. (2008). International knowledge sourcing: evidence from U.S. firms expanding abroad. *Strategic Management Journal*, *29*(11), 1207–1224.

Ciravegna, L., Lopez, L., & Kundu, S. (2014). Country of origin and network effects on internationalization: A comparative study of SMEs from an emerging and developed economy. *Journal of Business Research*, *67*(5), 916–923. https://doi.org/10.1016/j.jbusres.2013.07.011

Clarke, J. E., Tamaschke, R., & Liesch, P. W. (2013). International experience in international business research: A conceptualization and exploration of key themes. *International Journal of Management Reviews*, *15*(3), 265–279.

Clyde & Co. (2013). Joint Ventures in KSA. Retrieved from http://www.saudiarabia.doingbusinessguide.co.uk/media/383628/ME-Fact-sheet-B006-KSA-Joint-Ventures-Eng-May2013pdf.PDF

Cohen, M. A., Agrawal, N., & Agrawal, V. (2006, May 1). Winning in the Aftermarket. *Harvard Business Review*, (May 2016). Retrieved from https://hbr.org/2006/05/winning-in-the-aftermarket

Commins, D. (2006). *The Wahhabi Mission and Saudi Arabia*. London: I.B.Tauris.

Connell, C. (2008). Firm And Government As Actors In Penrose’S Process Theory Of International Growth: Implications For The Resource-Based View And Ownership-Location-Internationalisation Paradigm. *Australian Economic History Review*, *48*(2), 170–194.

Cooper, D. R., & Schindler, P. S. (2014). *Business Research Methods* (12th ed.). New York: McGraw-Hill.

Corti, L. (2008). Data Security. In L. M. Given (Ed.), *The Sage Encyclopedia of Qualitative Research Methods* (pp. 196–198). Los Angeles: Sage.

Countrywatch Review. (2016). *Saudi Arabia 2016 Country Review* (pp. 1–363). Countrywatch Review. Retrieved from http://www.countrywatch.com/Intelligence/CountryReviews?CountryId=150

Coviello, N., & McAuley, A. (1999). Internationalisation and the smaller firm: a review of contemporary empirical research. *MIR: Management International Review*, *39*(3), 223–256.

Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, *6*(4), 361–386.

Cowling, B., & White, G. (2014, October 29). Saudi Arabia removes barriers to infrastructure contracting. Retrieved 17 June 2017, from http://www.acec.ca/source/2015/february/pdf/SaudiArabia.pdf

Crafts, N. (2000). *Globalization and Growth in The Twentieth Century* (SSRN Scholarly Paper No. ID 879431). Rochester: Social Science Research Network.

Crossley, N., Al Zughaiby, A., & Lawrence, S. (2016, July 27). Changes to Nitaqat in Saudi Arabia | Insights. Retrieved 14 September 2016, from https://www.dlapiper.com/en/middleeast/insights/publications/2016/07/changes-to-nitaqat-in-saudi-arabia/

Crotty, M. (1998). *The foundations of social research: meaning and perspective in the research process*. London: Sage.

Crouch, M., & McKenzie, H. (2006). The logic of small samples in interview-based qualitative research. *Social Science Information*, *45*(4), 483–499.

Cullen, J. B., & Parboteeah, K. P. (2014). *Multinational management: a strategic approach* (5th ed.). Mason: South-Western Cengage Learning.

Dachs, B., Kampik, F., Scherngell, T., Zahradnik, G., Hanzl-Weiss, D., Hunya, G., … Urban, W. (2010). *Internationalisation of business investments in R&D and analysis of their economic impact* (Research and Innovation - Economic analysis and indicators No. EUR 25195). Luxembourg: European Commission.

Dakhli, M., & Zohairy, D. E. (2013). Emerging Trends in Higher Education in the GCC. In I. Alon, V. Jones, & J. R. McIntyre (Eds.), *Innovation in Business Education in Emerging Markets* (pp. 43–63). Hampshire: Palgrave Macmillan.

de Vries, H. (2006). *International standardization as a strategic tool*. Geneva: International Electrotechnical Commission.

Dekmejian, R. H. (1998). Saudi Arabia's consultative council. *The Middle East Journal*, *52*(2), 204–218.

Delios, A. (2011). Experience and a firm's performance in foreign markets: A commentary essay. *Journal of Business Research*, *64*(2), 227–229.

Denzin, N. K., & Lincoln, Y. S. (Eds.). (2011). *The Sage Handbook of Qualitative Research* (4th ed.). Thousand Oaks: Sage.

DHL. (2013). *Internationalization – a Driver for Business Performance* (pp. 1–46). Bonn: DHL. Retrieved from http://www.dhl.com/content/dam/downloads/g0/press/publication/dhl_research_internationalization_report.pdf

DHL. (2015). Import Guide for the Kingdom of Saudi Arabia. Retrieved from http://www.dhl.com/content/dam/downloads/g0/express/shipping/customs/import_guide_sa_en.pdf

Dobbs, R., Manyika, J., & Woetzel, J. (2015). *Saudi Arabia beyond oil: The investment and productivity transformation*. London: McKinsey Global Institute. Retrieved from http://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Employment%20and%20Growth/Moving%20Saudi%20Arabias%20economy%20beyond%20oil/MGI%20Saudi%20Arabia_Full%20report_December%202015.ashx

Dow, D., & Larimo, J. (2009). Challenging the conceptualization and measurement of distance and international experience in entry mode choice research. *Journal of International Marketing*, *17*(2), 74–98.

Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies*, *42*(5), 582–590.

Dreher, A., & Gassebner, M. (2013). Greasing the wheels? The impact of regulations and corruption on firm entry. *Public Choice, 155*(3–4), 413–432.

Dunne, T., Klimek, S. D., Roberts, M. J., & Xu, D. Y. (2013). Entry, exit, and the determinants of market structure. *The RAND Journal of Economics*, *44*(3), 462–487.

Dustmann, C., Fitzenberger, B., Schönberg, U., & Spitz-Oener, A. (2014). From Sick Man of Europe to Economic Superstar: Germany’s Resurgent Economy. *The Journal of Economic Perspectives*, *28*(1), 167–188.

Easterby-Smith, M., Thorpe, R., & Jackson, P. (2012). *Management Research* (4th ed.). Los Angeles: Sage.

Eberhard, M., & Kiessling, T. S. (2013). The Impact of Inter-personal Network Formality on SME Internationalisation. In *Capitalism in Question* (Vol. 2013). Orlando: Academy of Management.

Eckardt, M. (2012). *The Impact of Legal Form on the Internationalization of Small- and Medium-Sized Firms* (Andrássy Working Paper Series No. 31). Budapest: Andrássy University.

Einwiller, R. (2012). *Forschung und Entwicklung in Baden-Württemberg Im Fokus: der Wirtschaftssektor* (Statistisches Monatsheft Baden-Württemberg No. 05/2012). Retrieved from http://www.statistik-bw.de/veroeffentl/Monatshefte/PDF/Beitrag12_05_02.pdf

Ekeledo, I., & Sivakumar, K. (2004). International market entry mode strategies of manufacturing firms and service firms: A resource-based perspective. *International Marketing Review*, *21*(1), 68–101.

Elamin, A. M., & Omair, K. (2010). Males’ attitudes towards working females in Saudi Arabia. *Personnel Review*, *39*(6), 746–766. https://doi.org/10.1108/00483481011075594

Esmaeili, H. (2009). On a Slow Boat towards the Rule of Law: The Nature of Law in the Saudi Arabia Legal System. *Arizona Journal of International and Comparative Law*, *26*(1), 1–47.

Estimo, R. C. (2016, February 4). KSA population: 21.1m Saudis, 10.4m expats. Retrieved 2 July 2017, from http://www.arabnews.com/saudi-arabia/news/875131

Etemad, H., & Wright, R. (1999). Internationalization of SMEs: Management Responses to a Changing Environment. *Journal of International Marketing*, *7*(4), 4–10.

European Commission. (2008a). Statistical Classification of Economic Activities in the European Community, Rev. 2 (2008). Retrieved 12 September 2016, from http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=NACE_REV2&StrLanguageCode=DE&IntPcKey=&StrLayoutCode=HIERARCHIC&IntCurrentPage=1

European Commission. (2008b). Statistical Classification of Economic Activities in the European Community, Rev. 2 (2008) (NACE Rev. 2). Retrieved 12 September 2016, from http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_CLS_DLD&StrNom=NACE_REV2&StrLanguageCode=EN&StrLayoutCode=

European Commission. (2014, March 20). What is an SME? - Small and medium sized enterprises (SME) - Enterprise and Industry. Retrieved 17 April 2014, from http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

Eurostat. (2008a). *NACE Rev. 2 - Introductory Guidelines*. Luxembourg: Statistical Office of the European Communities.

Eurostat. (2008b). *NACE: Statistical classification of economic activities*. Luxembourg: EUR-OP.

Farzaneh, H., Ishihara, K. N., Utama, N. A., McLellan, B., & Tezuka, T. (2013). An Optimization Supply Model for Crude Oil and Natural Gas in the Middle East. In T. Yao, *Zero-Carbon Energy Kyoto 2012* (pp. 17–29). Tokyo: Springer.

Federal Ministry of Economic Affairs and Energy. (2016, June 30). Facts about German foreign trade 2016. Retrieved 12 September 2016, from http://www.bmwi.de/English/Redaktion/Pdf/facts-about-germain-foreign-trade,property=pdf,bereich=bmwi2012,sprache=en,rwb=true.pdf

Federation of German Industries. (2012). Mittelstand & Familienunternehmen. *Mittelstand & Familienunternehmen*, (01/2012).

Federation of German Industries. (2016). *Foreign Economic Report 1/2014* (Foreign Economic Report No. 01/2016). Berlin: Federation of German Industries. Retrieved from http://english.bdi.eu/media/topics/global_issues/publications/14032016_Newsletter_Foreign_Economic_Report.pdf

Feldmeier, G., & Hansen, H. (2008). Small and medium sized enterprises (SMEs)–winners of globalization? *Lohmann Information*, *43*(2), 45–51.

Feldmeier, G., Lukas, W., & Simmet, H. (2015). Handlungsfelder und Erfolgskonzepte für die Internationalisierung mittelständischer Unternehmen. In G. Feldmeier, W. Lukas, & H. Simmet (Eds.), *Globalisierung KMU: Entwicklungstendenzen, Erfolgskonzepte und Handlungsempfehlungen* (pp. 35–68). Wiesbaden: Springer Fachmedien Wiesbaden. Retrieved from http://dx.doi.org/10.1007/978-3-658-07868-3_5

Fernández, Z., & Nieto, M. J. (2005). Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors. *Family Business Review*, *18*(1), 77–89.

Fernández-Ortiz, R., & Lombardo, G. F. (2009). Influence of the capacities of top management on the internationalization of SMEs. *Entrepreneurship and Regional Development*, *21*(2), 131–154.

Financial Times. (2013, October 8). IMF: crunching the BRICS slowdown. Retrieved 26 April 2014, from http://blogs.ft.com/beyond-brics/2013/10/08/imf-crunching-the-brics-slowdown/

Findlay, R., & O'Rourke, K. H. (2007). *Power and plenty: trade, war, and the world economy in the second millennium*. Princeton: Princeton University Press.

Fink, M., & Kraus, S. (2007). Mutual trust as a key to internationalization of SMEs. *Management Research News*, *30*(9), 674–688. https://doi.org/10.1108/01409170710779980

Fletcher, M., & Harris, S. (2012). Knowledge acquisition for the internationalization of the smaller firm: Content and sources. *International Business Review*, *21*(4), 631–647. https://doi.org/10.1016/j.ibusrev.2011.07.008

Fliess, B., & Busquets, C. (2006). *The Role of Trade Barriers in SME Internationalisation* (OECD Trade Policy Paper No. 45). OECD. Retrieved from www.oecd.org/tad/ntm/37872326.pdf

Forbes. (2014, January 6). After The BRICS Are The MINTs, But Can You Make Any Money From Them? Retrieved 26 April 2014, from http://www.forbes.com/sites/chriswright/2014/01/06/after-the-brics-the-mints-catchy-acronym-but-can-you-make-any-money-from-it/

Forsman, M., Hinttu, S., & Kock, S. (2002). Internationalization from a SME perspective. Presented at the Proceedings of the 18th IMP Conference, Dijon: IMP Group.

Forstenlechner, I. (2008). Workforce nationalization in the UAE: image versus integration. *Education, Business and Society: Contemporary Middle Eastern Issues*, *1*(2), 82–91.

Forstenlechner, I. (2010). Expats and citizens: managing diverse teams in the Middle East. *Team Performance Management*, *16*(5/6), 237–241.

Fox, N. J. (2008). Induction. In L. M. Given (Ed.), *The Sage Encyclopedia of Qualitative Research Methods* (pp. 429–430). Los Angeles: Sage.

Freeman, S., Edwards, R., & Schroder, B. (2006). How smaller born-global firms use networks and alliances to overcome constraints to rapid internationalization. *Journal of International Marketing*, *14*(3), 33–63.

Freixanet, J. (2012). Export promotion programs: Their impact on companies' internationalization performance and competitiveness. *International Business Review*, *21*(6), 1065–1086.

Fuller-Love, N., & Thomas, E. (2004). Networks in small manufacturing firms. *Journal of Small Business and Enterprise Development*, *11*(2), 244–253.

Gardner, F. (2016, January 22). Saudi Arabia's King Salman marks year of change. *BBC News*. Retrieved from http://www.bbc.com/news/world-middle-east-35370801

Gephart, R. P. (2004). Qualitative Research and the Academy of Management Journal. *Academy of Management Journal*, *47*(4), 454–462.

German Central Bank. (2016). *Foreign Direct Investment Statistics 2016* (Special Statistical Publication). Frankfurt am Main: German Central Bank. Retrieved from https://www.bundesbank.de/Redaktion/DE/Downloads/Veroeffentlichungen/Statistische_Sonderveroeffentlichungen/Statso_10/2016_bestandserhebung_direktinvestitionen.pdf?__blob=publicationFile

German Electrical and Electronic Manufacturers Association. (2013). ZVEI Response to the Public Consultation on the Paper of the Services of DG Competition Containing Draft Guidelines on Regional State Aid for 2014-2020. Retrieved 24 April 2014, from http://ec.europa.eu/competition/consultations/2013_regional_aid_guidelines/zvei_de.pdf

German Engineering Federation. (2013, April 29). Der baden-württembergische Maschinen- und Anlagenbau. Retrieved 26 April 2014, from http://bawue.vdma.org/en/article/-/articleview/743434

German Engineering Federation. (2016, April 7). Mechanical Engineering - Figures and Charts 2016. Retrieved 12 September 2016, from https://www.vdma.org/documents/105628/805395/Maschinenbau%20in%20Zahl%20und%20Bild%202016/bbd858d5-f61c-46d3-bf6e-b5a9961b6ad7

German Federal Ministry for Economic Affairs and Energy. (2012, August 23). *125 years of 'Made in Germany' - the mark of quality*. Press Release, Berlin. Retrieved from http://www.bmwi.de/EN/Press/press-releases,did=505730.html

German Federal Ministry for Economic Affairs and Energy. (2016). Institutions that Promote Foreign Trade and Investment. Retrieved 4 June 2016, from http://www.bmwi.de/EN/Topics/Foreign-trade/institutions-that-promote-foreign-trade-and-investment,did=9480.html

German Federal Ministry of Economic Affairs and Energy. (2016). *'Future of the German Mittelstand' Action Programme* (pp. 1–24). Berlin: German Federal Ministry of Economic Affairs and Energy. Retrieved from http://www.bmwi.de/English/Redaktion/Pdf/future-of-the-german-mittelstand,property=pdf,bereich=bmwi2012,sprache=en,rwb=true.pdf

German Federal Ministry of Education and Research. (2016, July 12). The new High-Tech Strategy. Retrieved 12 September 2016, from https://www.bmbf.de/en/the-new-high-tech-strategy-2322.html

German Federal Office. (2015, June 22). Players and partners in the promotion of foreign trade and investment. Retrieved 4 June 2016, from http://www.auswaertiges-amt.de/EN/Aussenpolitik/Aussenwirtschaft/AkteurePartner.html

German Federal Statistical Office. (2016a). Foreign Trade Balance. Retrieved 21 September 2016, from https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/ForeignTrade.html

German Federal Statistical Office. (2016b, May 25). Ranking of Germany's trading partners in foreign trade 2015. Retrieved from https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingPartners/Tables/OrderRankGermanyTradingPartners.pdf?__blob=publicationFile

German Machine Tool Builders' Association. (2014). Industry. Retrieved 19 June 2014, from http://www.vdw.de/web-bin/owa/homepage?p_bereich=vdw&p_menue_id=1000000047&p_sprache=e

German Machine Tool Builders' Association. (2016a, June 13). Market Report 2015. Retrieved 12 September 2016, from http://wzm.vdma.org/documents/106072/650870/pub_vdw%20marktbericht_2015.pdf/6b0c9689-da6e-4384-9fcc-2324e45e3c99

German Machine Tool Builders' Association. (2016b, June 14). German Machine Tool Industry - Data and Facts 2015. Retrieved from http://www.vdw.de/bin/load_file_inter.pl?p_bereich=ostasienkurier&p_paket_id=4&p_dok_id=10002630&p_sprache=e&p_typ=doc

German Machine Tool Builders' Association. (2017a). German Machine Tool Industry - Key Figures. Retrieved from http://www.vdw.de/bin/load_file_inter.pl?p_bereich=wirtschaft&p_paket_id=11&p_dok_id=10000151&p_typ=doc&p_sprache=e

German Machine Tool Builders' Association. (2017b). Market Report 2016. Retrieved from http://www.vdw.de/bin/load_file_inter.pl?p_bereich=wirtschaft&p_paket_id=11&p_dok_id=10012594&p_typ=doc&p_sprache=e

Germany Trade & Invest. (2016a, May 30). Wirtschaftsdaten kompakt - Saudi-Arabien. Retrieved 12 September 2016, from http://www.gtai.de/GTAI/Content/DE/Trade/Fachdaten/PUB/2016/05/pub201605302067_159740_wirtschaftsdaten-kompakt---saudi-arabien--juni-2016.pdf?v=1

Germany Trade & Invest. (2016b, November 17). Industry Overview - The Machinery & Equipment Industry in Germany. Retrieved from https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Industry-overviews/industry-overview-machinery-equipment-en.pdf?v=10

Geyer, G., & Uriep, A. (2012). *Strategien der Internationalisierung von KMU* (HWWI Policy Paper No. 65). Hamburg: HWWI Institute of International Economics. Retrieved from http://hdl.handle.net/10419/58267

Ghannam, J. (2011). *Social Media in the Arab World: Leading up to the Uprisings of 2011*. Washington D.C.: Center for International Media Assistance. Retrieved from http://www.cima.ned.org/wp-content/uploads/2015/02/CIMA-Arab_Social_Media-Report-10-25-11.pdf

Gill, J., Johnson, P., & Clark, M. (2010). *Research methods for managers* (4th ed.). Los Angeles: Sage.

Gillmann, W. (2006, August 21). Die Geheimniskrämer im Mittelstand. Retrieved 17 April 2014, from http://www.handelsblatt.com/unternehmen/mittelstand/publizitaet-die-geheimniskraemer-im-mittelstand/2695528.html

Glaister, K. W., Husan, R., & Buckley, P. J. (2003). Learning to manage international joint ventures. *International Business Review*, *12*(1), 83–108.

Glasze, G. (2006). Segregation and seclusion: the case of compounds for western expatriates in Saudi Arabia. *GeoJournal*, *66*(1–2), 83–88.

Godwin, S. M. (2006). Globalization, education and Emiratization: a case study of the United Arab Emirates. *The Electronic Journal of Information Systems in Developing Countries*, *27*(1), 1–14.

Goel, V., Gold, B., Kapur, S., & Houle, S. (1997). The seats of reason? An imaging study of deductive and inductive reasoning. *NeuroReport*, *8*(5), 1305–1310.

Golafshani, N. (2003). Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report*, *8*(4), 597–606.

Government of the Kingdom of Saudi Arabia. (2016). National Transformation Program 2020. Retrieved from http://vision2030.gov.sa/sites/default/files/NTP_En.pdf

Grant, R. M. (1991). The Resource-based theory of competitive advantage: implications for strategy formulation. *California Management Review*, *33*(3), 114–135.

Graves, C., & Thomas, J. (2008). Determinants of the Internationalization Pathways of Family Firms: An Examination of Family Influence. *Family Business Review*, *21*(2), 151–167.

Grossberg, L., Nelson, C., & Treichler, P. (1992). Cultural Studies: An Introduction. In L. Grossberg, C. Nelson, & P. Treichler (Eds.), *Cultural Studies* (pp. 1–16). New York: Routledge.

Guba, E. G., & Lincoln, Y. S. (1989). *Fourth generation evaluation*. Newbury Park: Sage.

Guest, G., Bunce, A., & Johnson, L. (2006). How Many Interviews Are Enough? An Experiment with Data Saturation and Variability. *Field Methods*, *18*(1), 59–82.

Günterberg, B., & Wolter, H.-J. (2003). *Unternehmensgrößenstatistik 2001/2002 - Daten und Fakten* (IfM-Materialien No. 157). Bonn: Institut für Mittelstandsforschung. Retrieved from http://www.ifm-bonn.org//uploads/tx_ifmstudies/IfM-Materialien-157_2003.pdf

Gutmann, J., & Kabst, R. (Eds.). (2000). *Internationalisierung im Mittelstand*. Wiesbaden: Gabler Verlag. Retrieved from http://link.springer.com/10.1007/978-3-322-90263-4

Haasis, H., Fischer, T. R., & Simmert, D. B. (Eds.). (2007). *Mittelstand hat Zukunft: Praxishandbuch für eine erfolgreiche Unternehmenspolitik*. Wiesbaden: Gabler.

Hadley, R., & Wilson, H. (2003). The network model of internationalisation and experiential knowledge. *International Business Review*, *12*(6), 697–717.

Hakura, D. S. (2004). *Growth in the Middle East and North Africa* (Working Paper No. 04/56). Washington D.C.: International Monetary Fund.

Hallbäck, J., & Gabrielsson, P. (2013). Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies. *International Business Review*, *22*(6), 1008–1020.

Ham, A., Shams, M. B., & Madden, A. (2004). *Saudi Arabia*. London: Lonely Planet Publications.

Hamdan, A. (2005). Women and Education in Saudi Arabia: Challenges and Achievements. *International Education Journal*, *6*(1), 42–64.

Handelsblatt. (2013, November 16). Baden-Württemberg ist die Hochburg der deutschen Weltmarktführer. Retrieved 12 April 2014, from http://www.handelsblatt.com/unternehmen/mittelstand/heimatland-von-daimler-bosch-zf-und-co-baden-wuerttemberg-ist-die-hochburg-der-deutschen-weltmarktfuehrer/9085442.html

Hao, L. (2012, February 6). Business in Saudi Arabia: Culture Differences to Watch for. Retrieved 8 June 2016, from http://www.ibtimes.com/business-saudi-arabia-culture-differences-watch-406450

Harry, W. (2007). Employment creation and localization: the crucial human resource issues for the GCC. *The International Journal of Human Resource Management*, *18*(1), 132–146.

Hart, S. L., & Dowell, G. (2011). Invited Editorial: A Natural-Resource-Based View of the Firm Fifteen Years After. *Journal of Management*, *37*(5), 1464–1479.

Hauser, C., & Werner, A. (2009). *The Impact of Foreign Trade Promotion on the Foreign Sales Intensity of SMEs* (Discussion Papers on Entrepreneurship and Innovation No. 01/2009). Chur: Swiss Institute for Entrepreneurship. Retrieved from http://papers.ssrn.com/abstract=1367096

Hauser, H.-E. (2005). *A qualitative definition of SME* (Meeting Document No. 6). Paris: OECD. Retrieved from http://www.oecd.org/industry/business-stats/35501496.pdf

He, S. (2011). The Influential Factors on Internationalization of the SMEs in China: on Wenzhou's Shoe Industry and Policy Implications. *Research in World Economy*, *2*(1), 48–58.

Hegge, B. (2002). *SMEs and European integration: internationalisation strategies*. London: Routledge.

Heidenreich, M., & Krauss, G. (1998). The Baden-Württemberg production and innovation regime : past successes and new challenges. In H.-J. Braczyk, P. Cooke, & M. Heidenreich, *Regional innovation systems: the role of governances in a globalized world* (pp. 214–244). London: UCL Press.

Hellwig, T., & Samuels, D. (2007). Voting in Open Economies The Electoral Consequences of Globalization. *Comparative Political Studies*, *40*(3), 283–306.

Hénard, F., Diamond, L., & Roseveare, D. (2012). *Approaches to internationalisation and their implications for strategic management and institutional practice*. Paris: OECD.

Heng, W. (2009). Communication with Saudis. *Asian Social Science*, *4*(11). https://doi.org/10.5539/ass.v4n11p124

Henry, C. M., & Springborg, R. (2010). *Globalization and the Politics of Development in the Middle East*. Cambridge: Cambridge University Press.

Heron, J. (1996). *Co-operative inquiry: research into the human condition*. London: Sage.

Herrmann, P., & Datta, D. K. (2006). CEO Experiences: Effects on the Choice of FDI Entry Mode. *Journal of Management Studies*, *43*(4), 755–778.

Hertog, S. (2014). *Arab Gulf States : an assessment of nationalisation policies* (Research Paper No. 1/2014). Cambridge: Gulf Research Center.

Hertz, S. (1993). *The internationalization processes of freight transport companies : towards a dynamic network model of internationalization*. Stockholm: Stockholm School of Economics, Economic Research Institute.

Hessels, J., & Parker, S. C. (2013). Constraints, internationalization and growth: A cross-country analysis of European SMEs. *Journal of World Business*, *48*(1), 137–148.

Hessels, J., & Terjesen, S. (2010). Resource dependency and institutional theory perspectives on direct and indirect export choices. *Small Business Economics*, *34*(2), 203–220.

Hijzen, A., Jean, S., & Mayer, T. (2011). The effects at home of initiating production abroad: evidence from matched French firms. *Review of World Economics*, *147*(3), 457–483.

Hitt, M. A., Bierman, L., Uhlenbruck, K., & Shimizu, K. (2006). The importance of resources in the internationalization of professional service firms: The good, the bad, and the ugly. *Academy of Management Journal*, *49*(6), 1137–1157.

Hitt, M. A., Tihanyi, L., Miller, T., & Connelly, B. (2006). International diversification: Antecedents, outcomes, and moderators. *Journal of Management*, *32*(6), 831–867.

Hochberg, Y. V., Ljungqvist, A., & Lu, Y. (2010). Networking as a barrier to entry and the competitive supply of venture capital. *The Journal of Finance*, *65*(3), 829–859.

Höfener, I. (2011). What is ‘Made in Germany’? Retrieved 23 July 2016, from http://www.boden-rechtsanwaelte.de/english/current-issues/what-is-made-in-germany?---26/

Hohenthal, J., Johanson, J., & Johanson, M. (2014). Network knowledge and business-relationship value in the foreign market. *International Business Review*, *23*(1), 4–19. https://doi.org/10.1016/j.ibusrev.2013.08.002

Hollensen, S. (2007). *Global marketing: a decision-oriented approach* (4th ed.). Harlow: Financial Times Prentice Hall.

Holz, M. (2013). Strategies and policies to support the competitiveness of German Mittelstand companies. In F. Coltorti, R. Resciniti, A. Tunisini, & R. Varaldo (Eds.), *Mid-sized Manufacturing Companies: The New Driver of Italian Competitiveness* (pp. 147–168). Milano: Springer. Retrieved from http://dx.doi.org/10.1007/978-88-470-2589-9_6

Hommel, U., & Schneider, H. (2003). Financing the German Mittelstand. *EIB Papers*, *8*(2), 53–90.

Hopkins, K. (1980). Taxes and trade in the Roman Empire (200 BC–AD 400). *Journal of Roman Studies*, *70*, 101–125.

Hox, J. J., & Boeije, H. R. (2005). Data collection, primary versus secondary. In K. Kempf-Leonard, *Encyclopedia of Social Measurement* (pp. 593–599). San Diego: Academic Press.

Hu, S.-H., Ma, H.-Y., & Zen, G.-T. (2012). The Influence of Host-Country's Environments on the FDI Entry Mode Choice of Chinese Companies. *Business and Management Research*, *1*(2), 39–48.

Hughes, J. A., & Sharrock, W. W. (1997). *The Philosophy of Social Research*. Longman.

Hult, G. T. M., Ketchen, D. J., Griffith, D. A., Finnegan, C. A., Gonzalez-Padron, T., Harmancioglu, N., … Cavusgil, S. T. (2008). Data equivalence in cross-cultural international business research: assessment and guidelines. *Journal of International Business Studies*, *39*(6), 1027–1044.

Hume, D. (2012). *Enquiry Concerning Human Understanding*. Mineola: Dover Publications.

Hvidt, M. (2011). Economic and institutional reforms in the Arab Gulf countries. *The Middle East Journal*, *65*(1), 85–102.

Ibeh, K. I. N., & Young, S. (2001). Exporting as an entrepreneurial act - An empirical study of Nigerian firms. *European Journal of Marketing*, *35*(5/6), 566–586. https://doi.org/10.1108/03090560110388114

International Business Center at Michigan State University. (2016). Saudi Arabia: Government. Retrieved 12 September 2016, from http://globaledge.msu.edu/countries/saudi-arabia/government

International Business Publications. (2016). *Saudi Arabia Company Laws and Regulations Handbook*. Washington D.C.: IBP USA. Retrieved from http://www.lulu.com/shop/ibp-inc/saudi-arabia-company-laws-and-regulations-handbook-volume-1-strategic-and-practical-information/paperback/product-22554393.html

Iqbal, A. (2010). Employee turnover: Causes, consequences and retention strategies in the Saudi organizations. *The Business Review, Cambridge*, *16*(2), 275–281.

Irwin, D. A. (1995). The GATT in historical perspective. *The American Economic Review*, *85*(2), 323–328.

Isidor, D. R., Schwens, P. D. C., Kabst, P. D. R., & Hornung, D.-K. F. (2012). Internationaler Joint Venture Erfolg: Eine Meta-Analyse. *Zeitschrift für Betriebswirtschaft*, *82*(5), 539–583. https://doi.org/10.1007/s11573-012-0561-4

Jabbra, J. G., & Jabbra, N. W. (2005). Administrative culture in the Middle East: the case of the Arab world. In J. G. Jabbra & O. P. Dwivedi (Eds.), *Administrative culture in a global context*. Whitby, Ont: de Sitter Publications.

Jacks, D. S., Meissner, C. M., & Novy, D. (2010). Trade costs in the first wave of globalization. *Explorations in Economic History*, *47*(2), 127–141.

Jackson, D., & Manderscheid, S. V. (2015). A phenomenological study of Western expatriates' adjustment to Saudi Arabia. *Human Resource Development International*, *18*(2), 131–152. https://doi.org/10.1080/13678868.2015.1026552

Jamjoom, M., & Smith-Spark, L. (2013, October 26). Saudi Arabia women defy authorities over female driving ban.

Jandt, F. E. (2016). Comparative Cultural Patterns: Arab Culture. In F. E. Jandt (Ed.), *An introduction to intercultural communication: identities in a global community* (8th ed., pp. 220–243). Los Angeles: Sage.

Javalgi, R. R. G., & Todd, P. R. (2011). Entrepreneurial orientation, management commitment, and human capital: The internationalization of SMEs in India. *Journal of Business Research*, *64*(9), 1004–1010.

Jehanzeb, K., Rasheed, A., & Rasheed, M. F. (2013). Organizational Commitment and Turnover Intentions: Impact of Employee's Training in Private Sector of Saudi Arabia. *International Journal of Business and Management*, *8*(8). https://doi.org/10.5539/ijbm.v8n8p79

Jennings, W. G. (2015). Crime and Punishment in Saudi Arabia. In W. G. Jennings (Ed.), *The Encyclopedia of Crime and Punishment* (pp. 1–4). Hoboken, NJ, USA: John Wiley & Sons, Inc. Retrieved from http://doi.wiley.com/10.1002/9781118519639.wbecpx270

Johanson, J., & Mattsson, L.-G. (2012). Internationalization in industrial systems-a network approach. In N. Hood & J.-E. Vahlne (Eds.), *Strategies in Global Competition (RLE International Business): Selected Papers from the Prince Bertil Symposium at the Institute of International Business* (pp. 287–314). London: Routledge.

Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, *8*(1), 23–32.

Johanson, J., & Vahlne, J.-E. (2003). Business Relationship Learning and Commitment in the Internationalization Process. *Journal of International Entrepreneurship*, *1*(1), 83–101.

Johnson, T., & Sergie, M. A. (2014, July 25). Islam: Governing Under Sharia. Retrieved 2 July 2017, from https://www.cfr.org/backgrounder/islam-governing-under-sharia

Jones, K. (2015). *Reconstructing the World Trade Organization for the 21st Century: An Institutional Approach*. Oxford: Oxford University Press. Retrieved from http://www.oxfordscholarship.com/view/10.1093/acprof:oso/9780199366040.001.0001/acprof-9780199366040

Jones, M. V., & Coviello, N. E. (2002). *A Time-Based Contingency Model of Entrepreneurial Internationalisation Behaviour* (Working Paper No. 2002–12). Calgary: University of Calgary, Haskayne School of Business.

Kalinic, I., & Forza, C. (2012). Rapid internationalization of traditional SMEs: Between gradualist models and born globals. *International Business Review*, *21*(4), 694–707. https://doi.org/10.1016/j.ibusrev.2011.08.002

Kanji, G. K. (1995). *Total Quality Management - Proceedings of the first world congress*. Dordrecht: Springer Netherlands. Retrieved from http://dx.doi.org/10.1007/978-94-011-0539-2

Kaplan, B., & Maxwell, J. A. (1994). Qualitative research methods for evaluating computer information systems. In *Evaluating health care information systems: methods and applications*. Thousand Oaks: Sage.

Karakaya, F. (2002). Barriers to entry in industrial markets. *Journal of Business & Industrial Marketing*, *17*(5), 379–388.

Kassim, N., & Abdullah, N. A. (2010). The effect of perceived service quality dimensions on customer satisfaction, trust, and loyalty in e-commerce settings: A cross cultural analysis. *Asia Pacific Journal of Marketing and Logistics*, *22*(3), 351–371. https://doi.org/10.1108/13555851011062269

Kay, R., Holz, M., & Kranzusch, P. (2014). *Mittelstand im globalen Wettbewerb: Internationalisierung als unternehmerische und wirtschaftspolitische Herausforderung ; Gutachten im Auftrag der Abteilung Wirtschafts-und Sozialpolitik der Friedrich-Ebert-Stiftung*. Bonn.

Kechichian, J. A. (2013). *Legal and political reforms in Saʻudi Arabia*. New York: Routledge.

Kelliher, F. (2005). Interpretivism and the pursuit of research legitimisation: an integrated approach to single case design. *The Electronic Journal of Business Research Methodology*, *3*(2), 123–132.

KfW - The German Reconstruction Credit Institute. (2012). *Internationalisation in Germany's SME Sector – Step by Step to Global Presence* (KfW Economic Research) (p. 4). Frankfurt am Main: KfW. Retrieved from https://www.kfw.de/Download-Center/Konzernthemen/Research/Research-englisch/PDF-Dateien-Paper-and-Proceedings/Internationalisation-in-Germanys-SME-sector.pdf

Khakhar, P., & Rammal, H. G. (2013). Culture and business networks: International business negotiations with Arab managers. *International Business Review*, *22*(3), 578–590. https://doi.org/10.1016/j.ibusrev.2012.08.002

Khan, A., & Harroff-Tavel, H. (2011). Reforming the kafala: Challenges and opportunities in moving forward. *Asian and Pacific Migration Journal*, *20*(3–4), 293.

Kienbaum, J., Kabst, R., & Gutmann, J. (2013). *Internationalisierung im Mittelstand: Chancen — Risiken — Erfolgsfaktoren*. Wiesbaden: Springer-Verlag.

Kienbaum, J., Kabst, R., Gutmann, J., & Stiftung, G. und L. K. (2000). *Internationalisierung im Mittelstand: Chancen - Risiken - Erfolgsfaktoren*. Wiesbaden: Dr. Th. Gabler Verlag.

King, N. (2004). Using templates in the thematic analysis of text. In C. Cassell & G. Symon (Eds.), *Essential guide to qualitative methods in organizational research* (pp. 256–270). London: Sage.

King, N. (2012). Doing Template Analysis. In G. Symon & C. Cassell (Eds.), *Qualitative Organizational Research: Core Methods and Current Challenges* (pp. 426–450). London: Sage.

Kingdom of Saudi Arabia. Foreign Investment Law, (M/1) Royal Decree § (2000). Retrieved from http://mci.gov.sa/en/LawsRegulations/SystemsAndRegulations/Documents/a4.pdf

Kingdom of Saudi Arabia - Ministry of Economy and Planning. (2009). *The Long Term Strategy of The Saudi Economy*. Riyadh: Ministry of Economy and Planning.

Kingdom of Saudi Arabia - Ministry of Foreign Affairs. (2011). The Basic Law of Governance. Retrieved 30 July 2014, from http://www.mofa.gov.sa/sites/mofaen/ServicesAndInformation/aboutKingDom/SaudiGovernment/Pages/BasicSystemOfGovernance35297.aspx

Kingdom of Saudi Arabia - Supreme Economic Council. (2012). Privatization Objectives and Policies. Retrieved 31 July 2014, from http://www.sec.gov.sa/getdoc/1a83d98a-87d2-40c1-abb8-fddd8c959b26/Privatization_Objectives_and_Policies.aspx?lang=en-US

Klump, R. (2011). *Wirtschaftspolitik: Instrumente, Ziele und Institutionen*. München: Pearson Deutschland GmbH.

Koch, A. J. (2001). Factors influencing market and entry mode selection: developing the MEMS model. *Marketing Intelligence & Planning*, *19*(5), 351–361.

Kolloge, K. (2009). Internationalization of German Machinery Manufacturers–a Cooperative Perspective. In *School of Economics and Business, University of Sarajevo*. Sarajevo.

Kontinen, T., & Ojala, A. (2011a). Network ties in the international opportunity recognition of family SMEs. *International Business Review*, *20*(4), 440–453. https://doi.org/10.1016/j.ibusrev.2010.08.002

Kontinen, T., & Ojala, A. (2011b). Social capital in relation to the foreign market entry and post-entry operations of family SMEs. *Journal of International Entrepreneurship*, *9*(2), 133–151. https://doi.org/10.1007/s10843-010-0072-8

Kontinen, T., & Ojala, A. (2012). Social capital in the international operations of family SMEs. *Journal of Small Business and Enterprise Development*, *19*(1), 39–55. https://doi.org/10.1108/14626001211196398

Kox, H. L. M. (2013). Export Decisions of Services Firms Between Agglomeration Effects and Market-Entry Costs. In J. R. Cuadrado-Roura (Ed.), *Service Industries and Regions* (pp. 177–201). Springer Berlin Heidelberg. https://doi.org/10.1007/978-3-642-35801-2_8

Kozlenkova, I. V., Samaha, S. A., & Palmatier, R. W. (2014). Resource-based theory in marketing. *Journal of the Academy of Marketing Science*, *42*(1), 1–21. https://doi.org/10.1007/s11747-013-0336-7

Kraft, P., Dowling, M., & Helm, R. (2012). International orientation, marketing mix, and the performance of international German 'Mittelstand' companies. *International Journal of Business and Globalisation*, *8*(3), 293–315. https://doi.org/10.1504/IJBG.2012.046207

Kranzusch, P., & Holz, M. (2013). *Internationalisierungsgrad von KMU. Ergebnisse einer Unternehmensbefragung* (IfM-Materialien No. 222). Bonn: Institut für

Mittelstandsforschung. Retrieved from http://www.ifm-bonn.org//uploads/tx_ifmstudies/IfM-Materialien-222.pdf

Krugman, P., Cooper, R. N., & Srinivasan, T. (1995). Growing world trade: causes and consequences. *Brookings Papers on Economic Activity*, *26*(1), 327–377.

Kvale, S. (2007). *Doing interviews*. London: SAGE. Retrieved from http://srmo.sagepub.com/view/doing-interviews/n1.xml

Kwon, Y.-C., & Konopa, L. J. (1993). Impact of host country market characteristics on the choice of foreign market entry mode. *International Marketing Review*, *10*(2), 60–76.

Lafontaine, F., & Slade, M. (2008). Exclusive contracts and vertical restraints: Empirical evidence and public policy. In P. Buccirossi (Ed.), *Handbook of antitrust economics* (pp. 391–414). Cambridge: MIT Press.

Lahti, A. (2014). International Trade, Entrepreneurship, and Monopolistic Competition: German Hidden Champions and Global Markets. *China-USA Business Review*, *13*(9), 592–613. https://doi.org/10.17265/1537-1514/2014.09.004

Laufs, K., & Schwens, C. (2014). Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda. *International Business Review*, *23*(6), 1109–1126. https://doi.org/10.1016/j.ibusrev.2014.03.006

Lawson, F. H. (2011). Keys to the Kingdom: Current scholarship on Saudi Arabia. *International Journal of Middle East Studies*, *43*(04), 737–747. https://doi.org/10.1017/S0020743811000985

Lee, G. K., & Lieberman, M. B. (2010). Acquisition vs. internal development as modes of market entry. *Strategic Management Journal*, *31*(2), 140–158.

Lee, H., Kelley, D., Lee, J., & Lee, S. (2012). SME survival: The impact of internationalization, technology resources, and alliances. *Journal of Small Business Management*, *50*(1), 1–19.

Lehtinen, U., & Penttinen, H. (1999). Definition of the internationalization of the firm. In U. Lehtinen & H. Seristö, *Perspectives on Internationalization* (pp. 3–19). Helsinki: Helsinki School of Economics and Business Administration.

Leick, B., Leßmann, G., & Nussbaum, J. (2012). *Internationalisierungspfade mittelständischer Unternehmen in Osteuropa: Internationalisierungsprozess und Standorteffekte am Beispiel niedersächsischer KMU* (IfM-Materialien No. 218). Bonn: Institut für Mittelstandsforschung (IfM). Retrieved from http://www.ifm-bonn.org//uploads/tx_ifmstudies/IfM-Materialien-218_2012.pdf

Lennard, C. (2013, August 6). Top 5 BRIC Alternatives for Emerging Market Investment - Analyst Insight from Euromonitor International. Retrieved 26 April 2014, from http://blog.euromonitor.com/2013/08/top-5-bric-alternatives-for-emerging-market-investment.html

Li, J. J., Poppo, L., & Zhou, K. Z. (2008). Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign firms. *Strategic Management Journal*, *29*(4), 383–400. https://doi.org/10.1002/smj.665

Liesch, P. W., Welch, L. S., & Buckley, P. J. (2011). Risk and uncertainty in internationalisation and international entrepreneurship studies. *Management International Review*, *51*(6), 851–873.

Lin, S. (2010). Internationalization of the SME: Towards an integrative approach of resources and competences (pp. 117–135). Presented at the 1er Colloque Franco-Tchèque : ‘Trends in International Business’. Retrieved from https://halshs.archives-ouvertes.fr/halshs-00692465/document

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*. Beverly Hills: Sage Publications.

Lindstrand, A., Melén, S., & Nordman, E. R. (2011). Turning social capital into business: A study of the internationalization of biotech SMEs. *International Business Review*, *20*(2), 194–212. https://doi.org/10.1016/j.ibusrev.2011.01.002

Lituchy, T. R., & Rail, A. (2000). Bed and breakfasts, small inns, and the Internet: The impact of technology on the globalization of small businesses. *Journal of International Marketing*, *8*(2), 86–97.

Lloyd-Reason, L., Ibeh, K., & Deprey, B. (2009). *Top barriers and drivers to SME internationalisation*. Paris: OECD. Retrieved from https://www.oecd.org/cfe/smes/43357832.pdf

Lloyd-Reason, L., & Mughan, T. (2002). Strategies for internationalisation within SMEs: the key role of the owner-manager. *Journal of Small Business and Enterprise Development*, *9*(2), 120–129.

Loane, S., Bell, J. D., & McNaughton, R. (2007). A cross-national study on the impact of management teams on the rapid internationalization of small firms. *Journal of World Business*, *42*(4), 489–504. https://doi.org/10.1016/j.jwb.2007.06.009

Löbig, T. (2011). *Internationalisierungsstrategien für den Mittelstand*. Munich. Retrieved from http://www.lm-bw.de/fileadmin/content/SONSTIGE/pdf/BW-MP/Dateien_Mittelstandstag_2011/WS_2.3-Interntionalisierung-Mittelstand-Loebig.pdf

Long, D. E. (2005). *Culture and customs of Saudi Arabia*. Westport: Greenwood Press.

Looney, R. (2004). Saudization and Sound Economic Reforms: Are the Two Compatible? *Strategic Insights*, *3*(2), 1–11.

López-Duarte, C., & Vidal-Suárez, M. M. (2010). External uncertainty and entry mode choice: Cultural distance, political risk and language diversity. *International Business Review*, *19*(6), 575–588.

Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, *22*(6-7), 565–586.

Lu, J. W., & Beamish, P. W. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, *4*(1), 27–48. https://doi.org/10.1007/s10843-006-8000-7

Lynch, P. K., & Welch, R. (2014). *Action research from concept to presentation a practical handbook to writing your master’s thesis.* Bloomington: Authorhouse.

Mabon, S. (2012). Kingdom in Crisis? The Arab Spring and Instability in Saudi Arabia. *Contemporary Security Policy*, *33*(3), 530–553. https://doi.org/10.1080/13523260.2012.727683

Maddux, W., San Martin, A., Sinaceur, M., & Kitayama, S. (2011). In the Middle between East and West: Implicit Cultural Orientations in Saudi Arabia. Presented at the IACM 24th Annual Conference Paper, Istanbul.

Madhi, S. T., & Barrientos, A. (2003). Saudisation and employment in Saudi Arabia. *Career Development International*, *8*(2), 70–77. https://doi.org/10.1108/13620430310465471

Maftei, V. (2007). R&D internationalization. An overview of the driving forces. *Analele Stiintifice Ale Universitatii" Alexandru Ioan Cuza" Din Iasi-Stiinte Economice*, *54*, 138–143.

Majocchi, A., Valle, L. D., & D'Angelo, A. (2015). Internationalisation, cultural distance and country characteristics: a Bayesian analysis of SMEs financial performance. *Journal of Business Economics and Management*, *16*(2), 307–324. https://doi.org/10.3846/16111699.2012.720600

Make it in Germany. (2016, June 23). Mechanical engineering. Retrieved 12 September 2016, from http://www.make-it-in-germany.com/en/working/industry-profiles/mechanical-engineering/

Manolova, T. S., Manev, I., & Gyoshev, B. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business*, *45*(3), 257–265.

Marinova, S. T. (Ed.). (2015). *Institutional impacts on firm internationalization*. Houndmills: Palgrave Macmillan.

Mariz-Perez, R., & Garcia-Alvarez, T. (2009). The Internationalization Strategy of Spanish Indigenous Franchised Chains: A Resource-Based View. *Journal of Small Business Management*, *47*(4), 514–530.

Marshall, M. N. (1996). Sampling for qualitative research. *Family Practice*, *13*(6), 522–526.

Martineau, C., & Pastoriza, D. (2016). International involvement of established SMEs: A systematic review of antecedents, outcomes and moderators. *International Business Review*, *25*(2), 458–470. https://doi.org/10.1016/j.ibusrev.2015.07.005

Mashood, N., Verhoeven, H., & Chansarkar, B. (2009). Emiratisation, Omanisation, Saudisation: Common Causes: Common Solutions? In *10th International Business Research Conference*. Dubai.

Mason, J. (2002). *Qualitative researching* (2nd ed.). London: Sage.

Mason, M. (2010). Sample Size and Saturation in PhD Studies Using Qualitative Interviews. *Forum: Qualitative Social Research*, *11*(3).

McAfee, R. P., Mialon, H. M., & Williams, M. A. (2004). What is a Barrier to Entry? *American Economic Review*, *94*(2), 461–465.

McDonald, F., Krause, J., Schmengler, H., & Tüselmann, H.-J. (2003). Cautious International Entrepreneurs: The Case of the Mittelstand. *Journal of International Entrepreneurship*, *1*(4), 363–381. https://doi.org/10.1023/A:1025681408112

McGinn, M. K. (2008). Secondary Data. In L. M. Given (Ed.), *The Sage Encyclopedia of Qualitative Research Methods* (pp. 803–804). Los Angeles: Sage.

Meijer, R. (2010). Reform in Saudi Arabia: The Gender-Segregation Debate. *Middle East Policy*, *17*(4), 80–100. https://doi.org/10.1111/j.1475-4967.2010.00464.x

Mencarini, A. (2003). *The decision-making process of international market and entry mode selection: a research study of SMEs in the industrial districts of The Marches in Italy* (PhD Dissertation). University of Strathclyde, Glasgow.

Meseguer, C., & Escriba-Folch, A. (2011). Learning, political regimes and the liberalisation of trade. *European Journal of Political Research*, *50*(6), 775–810.

Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal*, *30*(1), 61–80.

Meyer-Ross, K. K., Haubold, A.-K., Hähnlein, M., Leisenberg, A., & Falkowski, D. (2014). Interkulturelle Geschäftspartnerschaften pflegen. In A.-K. Haubold, T. Gonschorek, I. Gestring, R. Sonntag, & R. von der Weth (Eds.), *Managementkompetenzen im Mittelstand: Grundlegendes Wissen und Instrumente zur praktischen Umsetzung* (pp. 161–173). Wiesbaden: Springer Fachmedien Wiesbaden. Retrieved from http://dx.doi.org/10.1007/978-3-658-03448-1_10

Milner, H. (1995). Regional economic co-operation, global markets and domestic politics: A comparison of NAFTA and the Maastricht Treaty. *Journal of European Public Policy*, *2*(3), 337–360.

Moaddel, M. (2006). The Saudi public speaks: Religion, gender, and politics. *International Journal of Middle East Studies, 38*(01), 79–108.

Moreira, M. R., Maia, M. A., Sousa, P. S., & Meneses, R. F. C. (2013). Factors Influencing the Internationalization of Services Firms: The Case of Design, Engineering and Architecture Consulting Firms. In *Exploring Services Science* (pp. 246–262). Porto: Springer.

Morgan, G., & Quack, S. (2006). Global networks or global firms? The organizational implications of the internationalisation of law firms. In A. Ferner, J. Q. Alboreca, & C. Sánchez-Runde (Eds.), *Multinationals and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy* (pp. 213–238). London: Palgrave Macmillan.

Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010). Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice? *Journal of International Management*, *16*(1), 60–77.

Morse, J. M. (2004). Theoretical saturation. In A. Lewis-Beck, A. Bryman, & T. Liao, *Encyclopedia of Social Science Research Methods* (pp. 1123–1124). Thousand Oaks: Sage.

Morse, J. M., Barrett, M., Mayan, M., Olson, K., & Spiers, J. (2008). Verification strategies for establishing reliability and validity in qualitative research. *International Journal of Qualitative Methods*, *1*(2), 13–22.

Mort, G. S., & Weerawardena, J. (2006). Networking capability and international entrepreneurship: How networks function in Australian born global firms. *International Marketing Review*, *23*(5), 549–572. https://doi.org/10.1108/02651330610703445

Moshirian, F. (2008). Globalisation, growth and institutions. *Journal of Banking & Finance*, *32*(4), 472–479.

Moussa, M. N. (2013). Investigating the High Turnover of Saudi Nationals versus Non-Nationals in Private Sector Companies Using Selected Antecedents and Consequences of Employee Engagement. *International Journal of Business and Management*, *8*(18), 41–52. https://doi.org/10.5539/ijbm.v8n18p41

Musso, F., & Francioni, B. (2009). *Foreign markets entry mode decision for SMEs. Key factors and role of industrial districts.* (Working Paper No. 32153). Munich: University of Munich.

Musteen, M., Francis, J., & Datta, D. K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business*, *45*(3), 197–205.

Naithani, P., & Jha, A. (2009). Challenges faced by expatriate workers in Gulf Cooperation Council countries. *International Journal of Business and Management*, *5*(1), 98–103.

Nakos, G., & Brouthers, K. D. (2002). Entry mode choice of SMEs in Central and Eastern Europe. *Entrepreneurship Theory and Practice*, *27*(1), 47–63.

Neeley, T. (2012). Global Business Speaks English: Why You Need a Language Strategy Now. *Harvard Business Review*, *90*(5), 116–124.

Neubert, M. (2013). *Global Market Strategies: How to turn your Company into a Successful International Enterprise*. Frankfurt am Main: Campus Verlag.

Niblock, T. (2015). *State, Society and Economy in Saudi Arabia* (6th ed.). New York: Routledge.

Nielsen, B. B., & Nielsen, S. (2011). The role of top management team international orientation in international strategic decision-making: The choice of foreign entry mode. *Journal of World Business*, *46*(2), 185–193.

Niu, Y., Dong, L. C., & Chen, R. (2012). Market entry barriers in China. *Journal of Business Research*, *65*(1), 68–76.

Niu, Y., Wang, C. L., & Dong, L. C. (2013). Firm resources and entry-related advantages: An empirical study in China. *Industrial Marketing Management*, *42*(4), 595–607.

Northumbria University - University Research Ethics Committee. (2013). Research Ethics and Governance Handbook - 6th Edition. Retrieved from https://elp.northumbria.ac.uk/bbcswebdav/pid-2591513-dt-content-rid-3137930_3/orgs/NB034BC/Research%20Ethics%20and%20Governance%20Handbook%206th%20Edition.pdf

Obeidat, B., Shannak, R., Masa'deh, R., & Al-Jarrah, I. (2012). Toward better understanding for Arabian culture: Implications based on Hofstede's cultural model. *European Journal of Social Sciences*, *28*(4), 512–522.

OECD. (2007). *Policy Brief: Competition and Barriers to Entry* (pp. 1–6). Paris: OECD.

OECD. (2008). *Removing Barriers to SME Access to International Markets*. Paris: OECD.

OECD. (2016). FDI flows by partner country. Retrieved 12 September 2016, from http://stats.oecd.org/Index.aspx?DataSetCode=FDI_FLOW_PARTNER

Ojala, A. (2009). Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*, *18*(1), 50–59.

Olejnik, E., & Swoboda, B. (2012). SMEs' internationalisation patterns: descriptives, dynamics and determinants. *International Marketing Review*, *29*(5), 466–495.

Oliva, R., & Kallenberg, R. (2003). Managing the transition from products to services. *International Journal of Service Industry Management*, *14*(2), 160–172. https://doi.org/10.1108/09564230310474138

Oliveira, P., & Teixeira, A. A. C. (2011). *The internationalization profiles of Portuguese SMEs* (FEP Working Paper No. 439). Universidade do Porto, Faculdade de Economia do Porto. Retrieved from https://ideas.repec.org/p/por/fepwps/439.html

Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic Management Journal*, *18*(9), 697–713.

Olivier, D., Parola, F., Slack, B., & Wang, J. J. (2007). The Time Scale of Internationalisation: The Case of the Container Port Industry. *Maritime Economics & Logistics*, *9*(1), 1–34.

Onkelinx, J., & Sleuwaegen, L. (2008). *Internationalization of SMEs* (Research Report). Leuven: Vlerick Leuven Gent Management School. Retrieved from http://www.flandersdc.be/sites/default/files/Flanders%20DC%20Study%20-%20Internationalization%20of%20SMEs.pdf

Oviatt, B., & McDougall, P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, *25*(1), 45–64.

Oxford Business Group. (2013). *The Report: Saudi Arabia 2013*. London: Oxford Business Group.

Oxford Strategic Consulting. (2015). *Maximising Saudi Female Employment*. Oxford: Oxford Strategic Consulting. Retrieved from http://www.oxfordstrategicconsulting.com/wp-content/uploads/2015/05/Maximising-Saudi-Female-Employment-.pdf

Pagano, P., & Schivardi, F. (2003). Firm Size Distribution and Growth. *The Scandinavian Journal of Economics*, *105*(2), 255–274.

Pan, Y., & Tse, D. K. (2000). The hierarchical model of market entry modes. *Journal of International Business Studies*, *31*(4), 535–554.

Panzar, J. C., & Willig, R. D. (1977). Economies of scale in multi-output production. *The Quarterly Journal of Economics*, *91*(3), 481–493.

Parnell, J. A. (2006). Generic strategies after two decades: a reconceptualization of competitive strategy. *Management Decision*, *44*(8), 1139–1154.

Peck, J. (2015). *Can Hiring Quotas Work? The Effect of the Nitaqat Program on the Saudi Private Sector.* (Working Paper) (pp. 1–52). Swarthmore, PA: Swarthmore College, Department of Economics. Retrieved from https://www.swarthmore.edu/sites/default/files/assets/documents/user_profiles/jpeck1/nitaqat_draft_2015.pdf

Pehrsson, A. (2009). Barriers to entry and market strategy: a literature review and a proposed model. *European Business Review*, *21*(1), 64–77.

Perks, K. J., & Hughes, M. (2008). Entrepreneurial decision-making in internationalization: Propositions from mid-size firms. *International Business Review*, *17*(3), 310–330.

Perry, C. (1998). Processes of a case study methodology for postgraduate research in marketing. *European Journal of Marketing*, *32*(9/10), 785–802.

Pieray, N. (1978). Company internationalisation: active and reactive exporting. *European Journal of Marketing*, *15*(3), 26–40.

Prause, G., Kramer, J. W., & Wismar, H. (2006). Internationalisierung und Netzwerkbildung im Mittelstand (pp. 543–567). Presented at the 14th Scientific Conference on Economic Policy, Talinn: BWV Berliner Wissenschafts-Verlag.

Preece, D., Iles, P., & Jones, R. (2013). MNE regional head offices and their affiliates: talent management practices and challenges in the Asia Pacific. *The International Journal of Human Resource Management*, *24*(18), 3457–3477.

Priem, R. L., & Butler, J. E. (2001). Tautology in the resource-based view and the implications of externally determined resource value: Further comments. *Academy of Management Review*, *26*(1), 57–66.

Pukall, T. J., & Calabrò, A. (2014). The internationalization of family firms: A critical review and integrative model. *Family Business Review*, *27*(2), 103–125.

Quan, R. (2012). SMEs entry mode decision making process: Rational or cybernetic? *Business and Management Research*, *1*(3), 71–81.

Ramady, M. A. (2010). Population and Demographics: Saudization and the Labour Market. In M. A. Ramady, *The Saudi Arabian Economy* (pp. 351–393). Springer.

Rammer, C., & Schmiele, A. (2008). *Drivers and Effects of Internationalising Innovation by SMEs* (ZEW Discussion Paper No. 8–35). Center for European Economic Research.

Randeree, K. (2012). *Workforce nationalization in the Gulf Cooperation Council states* (Occasional Paper No. 9). Doha, Qatar: Center for International and Regional Studies, Georgetown University, School of Foreign Service in Qatar. Retrieved from https://repository.library.georgetown.edu/bitstream/handle/10822/558218/CIRSOccasionalPaper9KasimRanderee2012.pdf?sequence=5

Rasheed, H. S. (2005). Foreign Entry Mode and Performance: The Moderating Effects of Environment. *Journal of Small Business Management*, *43*(1), 41–54.

Rask, M., Strandskov, J., & Håkonsson, D. D. (2008). Theoretical Perspectives on the Internationalization of Firms. *Journal of Teaching in International Business*, *19*(4), 320–345. https://doi.org/10.1080/08975930802427502

Rattner, S. (2011, June 16). The Secrets of Germany's Success. Retrieved 12 September 2016, from http://www.foreignaffairs.com/articles/67899/steven-rattner/the-secrets-of-germanys-success

Ray, G., Barney, J. B., & Muhanna, W. A. (2004). Capabilities, business processes, and competitive advantage: choosing the dependent variable in empirical tests of the resource-based view. *Strategic Management Journal*, *25*(1), 23–37.

Reeves, T. C., & Hedberg, J. G. (2003). *Interactive learning systems evaluation*. Englewood Cliffs: Educational Technology Publications.

Reid, S. (1983). Firm internationalization, transaction costs and strategic choice. *International Marketing Review*, *1*(2), 44–56.

Remenyi, D. (2005). *Doing research in business and management: an introduction to process and method*. London: Sage.

Reuters. (2014, March 24). Saudi Arabia approves new fund to invest in manufacturing. *Reuters*. Retrieved from http://www.reuters.com/article/2014/03/24/saudi-industry-fund-idUSL5N0ML2JK20140324

Reuters. (2015, March 30). Saudi Arabia to link foreign investment to infrastructure projects. Retrieved 17 June 2017, from http://www.arabianbusiness.com/saudi-arabia-link-foreign-investment-infrastructure-projects-587363.html

Rialp, A., & Rialp, J. (2001). Conceptual frameworks on SMEs' internationalization: Past, present and future trends of research. In C. N. Axinn & P. Matthyssens (Eds.), *Reassesing the Internationalization of the Firm* (Vol. 11, pp. 49–78). Bingley: Emerald Publishing. Retrieved from http://www.emeraldinsight.com/10.1016/S1474-7979(01)11016-1

Rifai, N. (2014, March 31). No quick fix for Saudi unemployment. Retrieved 16 January 2015, from http://www.zawya.com/story/No_quick_fix_for_Saudi_unemployment-ZAWYA20140331102355/

Ritchie, J., & Lewis, J. (2003). *Qualitative Research Practice: A Guide for Social Science Students and Researchers*. SAGE Publications.

Rodriguez, P., Uhlenbruck, K., & Eden, L. (2005). Government corruption and the entry strategies of multinationals. *Academy of Management Review*, *30*(2), 383–396.

Romer, P. M. (1994). The origins of endogenous growth. *The Journal of Economic Perspectives*, *8*(1), 3–22.

Root, F. R. (1994). *Entry strategies for international markets*. New York: Lexington Books.

Rorty, R., & Rorty, R. (1991). *Objectivity, relativism, and truth*. Cambridge: Cambridge University Press.

Roy, J.-P., & Oliver, C. (2009). International joint venture partner selection: The role of the host-country legal environment. *Journal of International Business Studies*, *40*(5), 779–801.

Ruzzier, M., Antončič, B., & Konečnik, M. (2006). The resource-based approach to the internationalisation of SMEs: differences in resource bundles between internationalised and non-internationalised companies. *Zagreb International Review of Economics and Business*, *9*(2), 95–116.

Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476–497. https://doi.org/10.1108/14626000610705705

Sabet, A. G. E. (2012). Monetary Union in the Gulf: Prospects for a Single Currency in the Arabian Peninsula. *British Journal of Middle Eastern Studies, 39*(2), 288–290.

Saillard, E. K. (2011). Systematic Versus Interpretive Analysis with Two CAQDAS Packages: NVivo and MAXQDA. *Forum: Qualitative Social Research*, *12*(1).

Sanchez, R. (2009). A scientific critique of the resource-base view (RBV) in strategy theory, with competence-based remedies for the RBV's conceptual deficiencies and logic problems. In R. Sanchez (Ed.), *A Focused Issue on Fundamental Issues in Competence Theory Development* (Vol. 4, pp. 3–78). Bingley: Emerald Group.

Sandelowski, M. (2008). Theoretical saturation. In L. M. Given (Ed.), *The Sage Encyclopedia of Qualitative Research Methods* (pp. 875–876). Los Angeles: Sage.

Saudi Arabian General Investment Authority. (2010). Company Laws. Retrieved 31 July 2014, from http://www.sagia.gov.sa/Documents/Laws/Company%20Laws_en_2.3.pdf

Saudi Arabian General Investment Authority. (2015). Infrastructure. Retrieved 17 June 2017, from https://sagia.gov.sa/en/WhySaudiArabia/Infrastructure/Pages/Home.aspx

Saudi Arabian General Investment Authority. (2016). Investment Incentives. Retrieved 17 June 2017, from https://www.sagia.gov.sa/en/InvestmentIncentivesandRegulations/Incentives/Pages/default.aspx

Saudi Geological Survey. (2016). Mineral Resources. Retrieved 17 June 2017, from http://www.sgs.org.sa/English/MineralResources/pages/default.aspx

Saudi Standards, Metrology and Quality Organization. (2016). Certificates Of Conformity Regulations. Retrieved from http://www.saso.gov.sa/en/quality/Documents/The-Certificate-of-Conformity-Regulations_EN.pdf

Saudi-US Relations Information Service. (2013, January 11). Shura Council Adds 30 Women Members. Retrieved 30 July 2014, from http://susris.com/2013/01/11/shura-council-adds-30-women-members/

Saunders, M., Lewis, P., & Thornhill, A. (2012). *Research methods for business students* (6th ed.). Harlow: Pearson.

Schellenberg, M., Harker, M. J., & Jafari, A. (2017). International market entry mode – a systematic literature review. *Journal of Strategic Marketing*, *0*(0), 1–27. https://doi.org/10.1080/0965254X.2017.1339114

Schiliro, D. (2012). Knowledge-based economies and the institutional environment. *Theoretical and Practical Research in Economic Fields (TPREF)*, *3*(1), 42–50.

Schmiedel, H. (2007). *The Economic Impact of the Single Euro Payments Area* (Occasional Paper Series No. 71). Frankfurt: European Central Bank. Retrieved from https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp71.pdf

Schuler, R. S. (2001). Human resource issues and activities in international joint ventures. *International Journal of Human Resource Management*, *12*(1), 1–52.

Schuster, K., Hees, F., & Jeschke, S. (2013). Dipl-Ing Rest in Peace? The Implementation of the Bologna Process in Germany’s Engineering Education. In S. Jeschke, I. Isenhardt, F. Hees, & K. Henning (Eds.), *Automation, Communication and Cybernetics in Science and Engineering 2011/2012* (pp. 423–431). Berlin: Springer. https://doi.org/10.1007/978-3-642-33389-7_34

Schwab, K. (2013). *The Global Competitiveness Report 2013-2014* (The Global Competitiveness Report). Geneva: World Economic Forum.

Sciarelli, M. (2008). Resource-Based Theory and Market-Driven Management. *Symphonya. Emerging Issues in Management*, *2*(6), 66–80.

Seppo, M. (2007). *The role of business networks in the internationalization of Estonian chemical industry enterprises* (Working Paper No. 2007–50). Tartu: University of Tartu - Faculty of Economics and Business Administration Working Paper Series.

Shepherd, W. G., & Shepherd, J. M. (2003). *The Economics of Industrial Organization* (5th ed.). Long Grove: Waveland Press.

Sheth, J. N. (2011). Impact of emerging markets on marketing: Rethinking existing perspectives and practices. *Journal of Marketing*, *75*(4), 166–182.

Shipman, M. D. (2014). *The Limitations of Social Research*. Hoboken: Taylor and Francis.

Sinkovics, R. R., & Ghauri, P. N. (2008). Enhancing the trustworthiness of qualitative research in international business. *Management International Review*, *48*(6), 689–714.

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, *32*(1), 273–292.

Smith, A., & Swain, A. (2010). The global economic crisis, Eastern Europe, and the former Soviet Union: models of development and the contradictions of internationalization. *Eurasian Geography and Economics*, *51*(1), 1–34.

Soni, S. (2015). An Overview of Saudi Arabia's Foreign Investment and Employment Strategy. Retrieved 19 February 2017, from http://www.tamimi.com/en/magazine/law-update/section-11/may-8/an-overview-of-saudi-arabias-foreign-investment-and-employment-strategy.html

Speckbacher, G., Neumann, K., & Hoffmann, W. H. (2015). Resource relatedness and the mode of entry into new businesses: Internal resource accumulation vs. access by collaborative arrangement. *Strategic Management Journal*, *36*(11), 1675–1687.

Spender, J.-C. (1994). Organizational knowledge, collective practice and Penrose rents. *International Business Review*, *3*(4), 353–367.

Street, C. T., & Cameron, A. (2007). External relationships and the small business: A review of small business alliance and network research. *Journal of Small Business Management*, *45*(2), 239–266.

Stuttgarter Nachrichten. (2010, December 22). Hidden Champions: Wir sind Weltmarktführer. Retrieved 12 April 2014, from http://www.stuttgarter-nachrichten.de/inhalt.hidden-champions-wir-sind-weltmarktfuehrer.be2c292a-9bdc-4fb4-9e51-bd8c2aadd759.html

Subramanian, C. (2013, June 25). Saudi Arabia Redefines the Weekend. *Time*. Retrieved from http://newsfeed.time.com/2013/06/25/saudi-arabia-redefines-the-weekend/

Sui, S., & Baum, M. (2014). Internationalization strategy, firm resources and the survival of SMEs in the export market. *Journal of International Business Studies*, *45*(7), 821–841.

Sullivan, K. (2012, November 12). Saudi Arabia struggles to employ its most-educated women. *The Washington Post*. Retrieved from http://www.washingtonpost.com/world/middle_east/saudi-arabia-struggles-to-employ-its-most-educated-women/2012/11/12/b8f30c34-2a87-11e2-96b6-8e6a7524553f_story.html

Swanson, R. A., & Holton, E. F. (2005). *Research in organizations foundations and methods of inquiry*. San Francisco: Berrett-Koehler.

Syed, I. (2016, April 18). Unemployment facts and figures. *Saudi Gazette*. Retrieved from http://saudigazette.com.sa/opinion/local-viewpoint/unemployment-facts-figures/

Temple, B., & Young, A. (2004). Qualitative Research and Translation Dilemmas. *Qualitative Research*, *4*(2), 161–178. https://doi.org/10.1177/1468794104044430

The Economist. (2013, July 27). When giants slow down. *The Economist*. Retrieved from http://www.economist.com/news/briefing/21582257-most-dramatic-and-disruptive-period-emerging-market-growth-world-has-ever-seen

The Economist. (2014, July). German lessons. Retrieved from http://www.economist.com/news/business/21606834-many-countries-want-mittelstand-germanys-it-not-so-easy-copy-german-lessons

Thompson, K. A., Al-Aujan, D. T., AL-Nazha, R., Al Lwaimy, S., & Al-Shehab, S. (2012). Saudi Arabia's Economic Diversification: A Case Study in Entrepreneurship. *The Journal of Management and Business Research*, *2*(2), 37–40.

Thomson Reuters. (2011). *Middle East: exploring the changing landscape of Arabian, Persian and Turkish research*. Leeds: Evidence.

Tiwari, Rajnish, & Buse, Stephan. (2014). German Mittelstand discovers BRIC: A Survey of Product Strategies of German 'Hidden Champions' in China and India. *Indo-German Chamber of Commerce*, (5), 5–11. https://doi.org/10.15480/882.1289

Todorov, K., & Smallbone, D. (Eds.). (2014). *Handbook of research on strategic management in small and medium enterprises*. Hershey: Business Science Reference.

Tokuda, A. (2004). *Amending the Resource-based view of Strategic Management from an Entrepreneurial Perspective* (Discussion Paper No. em-dp2004-18). Reading: Henley Business School, Reading University.

Tolstoy, D. (2010). Network development and knowledge creation within the foreign market: A study of international entrepreneurial firms. *Entrepreneurship & Regional Development*, *22*(5), 379–402. https://doi.org/10.1080/08985620903168273

Törnroos, an-Å. (2000). Challenging internationalisation theory: Some new trends forming the international and global business. In *Proceedings of the 16th IMP Conference* (p. 20). Bath. Retrieved from http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.4879&rep=rep1&type=pdf

Torofdar, Y. A.-J., & Yunggar, M. M. (2012). Nationalization of Manpower Resources in Saudi Arabia: A Closer View at 'Saudization'. In *International Conference on Human Resource Management and Professional Development for the Digital Age (HRM&PD).* Singapore.

Trenwith, C. (2013, July 9). Record traffic clogs Saudi-Bahrain causeway. Retrieved 31 July 2014, from http://www.arabianbusiness.com/record-traffic-clogs-saudi-bahrain-causeway-508312.html

Truijens, O. (2003). A Critical Review of the Resource-based View of the Firm. *Sprouts: Working Papers on Information Systems*, *3*(6), 1–15.

Tsang, E. W. K., & Williams, J. N. (2012). Generalization and induction: Misconceptions, clarifications, and a classification of induction. *MIS Quarterly*, *36*(3), 729–748.

Twarowska, K., & Kakol, M. (2013). International Business Strategy: Reasons and Forms of Expansion Into Foreign Markets. In *Proceedings of the Management* (pp. 1005–1011). Zadar, Croatia: ToKnowPress. Retrieved from https://ideas.repec.org/h/tkp/mklp13/1005-1011.html

UNESCO (Ed.). (2015). *UNESCO Science Report: towards 2030*. Paris: UNESCO Publications. Retrieved from http://unesdoc.unesco.org/images/0023/002354/235406e.pdf

United Nations. (2007). *International migration and development in the Arab region challenges and opportunities*. New York: United Nations.

United Nations Conference on Trade and Development. (2016). *World Investment Report 2016* (World Investment Report No. UNCTAD/WIR/2016) (p. 232). Geneva: United Nations. Retrieved from http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf

United States of America - Bureau of Public Affairs Department of State. (2015). *2015 Investment Climate Statement - Saudi Arabia* (Report). Department of State -

Bureau of Public Affairs. Retrieved from http://www.state.gov/documents/organization/241938.pdf

University of Northumbria at Newcastle. (2014). Academic Regulations for Professional Doctorate Programmes. Retrieved from https://www.northumbria.ac.uk/static/5007/graduateschool/regs_profdoc2014.pdf

U.S. Small Business Administration. (2016a, February 26). Summary of Size Standards by Industry Sector. Retrieved 12 September 2016, from http://www.sba.gov/content/summary-size-standards-industry

U.S. Small Business Administration. (2016b, February 26). Table of Small Business Size Standards. Retrieved 12 September 2016, from http://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf

Venohr, B., Fear, J., & Witt, A. (2015). *Best of German Mittelstand - The World Market Leaders*. Retrieved from http://www.ssrn.com/abstract=2724609

Venohr, B., & Meyer, K. E. (2007). *The German Miracle Keeps Running: How Germany's Hidden Champions Stay Ahead in the Global Economy* (Working Paper No. No. 30). Berlin: Berlin School of Economics. Retrieved from http://papers.ssrn.com/abstract=991964

Verband Deutscher Maschinen- und Anlagenbau e.V. (2016a). *Statistisches Handbuch für den Maschinenbau 2016*. Frankfurt am Main: VDMA Verlag GmbH.

Verband Deutscher Maschinen- und Anlagenbau e.V. (2016b, July 4). Mechanical engineering – figures and charts 2016. Retrieved from http://www.vdma.org/documents/105628/13117593/Maschinenbau+in+Zahl+und+Bild+2016.pdf/66c06897-b283-45b7-8787-c0ace726c389

Verband Deutscher Maschinen- und Anlagenbau e.V. (2017, February 19). Statistics Database. Retrieved 19 February 2017, from https://statistik-db.vdma.org/pentaho/api/repos/%3Apublic%3AInternet%20Statistik%3AIAH%3Aiah_reporting_dashboard.wcdf/generatedContent?pLang=de

Vogel, F. E. (2000). *Islamic law and legal system: studies of Saudi Arabia*. Leiden: Brill.

Wanat, C. L. (2008). Getting Past the Gatekeepers: Differences Between Access and Cooperation in Public School Research. *Field Methods*, *20*(2), 191–208.

Ward, K. (2009). *Networks of empire: forced migration in the Dutch East India Company*. Cambridge: Cambridge University Press.

Waring, T., & Wainwright, D. (2008). Issues and Challenges in the Use of Template Analysis: Two Comparative Case Studies from the Field. *Electronic Journal of Business Research Methods*, *6*(1), 85–94.

Watson, K. (2012, December 13). Women and work in Saudi Arabia. Retrieved 31 July 2014, from http://www.bbc.com/news/business-20697030

Welch, L. S., & Luostarinen, R. (1999). Internationalization: Evolution of a Concept. In P. J. Buckley & P. N. Ghauri, *The Internationalization of the Firm: a reader* (2nd ed., pp. 83–98). London: Thomson.

Welter, F., May-Strobl, E., Wolter, H.-J., & Günterberg, B. (2014). *Mittelstand im Wandel* (IfM-Materialien No. 232). Bonn: Institut für Mittelstandsforschung (IfM). Retrieved from http://hdl.handle.net/10419/107137

Westhead, P., Wright, M., & Ucbasaran, D. (2001). The internationalization of new and small firms: A resource-based view. *Journal of Business Venturing*, *16*(4), 333–358.

White, P. (2010). Making use of secondary data. In N. Clifford, S. French, & G. Valentine (Eds.), *Key Methods in Geography* (pp. 61–76). Thousand Oaks: Sage.

Whitelock, J. (2002). Theories of internationalisation and their impact on market entry. *International Marketing Review*, *19*(4), 342–347. https://doi.org/10.1108/02651330210435654

Wiersema, M. F., & Bowen, H. P. (2011). The relationship between international diversification and firm performance: Why it remains a puzzle. *Global Strategy Journal*, *1*(1–2), 152–170.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, *24*(13), 1307–1314.

Wilkins, S. (2002). Human resource development through vocational education in the United Arab Emirates: the case of Dubai Polytechnic. *Journal of Vocational Education and Training*, *54*(1), 5–26.

Williams, J. H. (1929). The theory of international trade reconsidered. *The Economic Journal*, *39*(154), 195–209.

Willis, J. (1995). A Recursive, Reflective Instructional Design Model Based on Constructivist-Interpretivist Theory. *Educational Technology*, *35*(6), 5–23.

Wilson, K. (2006). Encouraging the internationalisation of SMEs. *OECD Papers*, *6*(12), 43–66.

Wirtschaftswoche. (2013, November 18). Im Südwesten sitzen die Weltmarktführer. Retrieved 12 April 2014, from http://www.wiwo.de/unternehmen/industrie/baden-wuerttemberg-im-suedwesten-sitzen-die-weltmarktfuehrer/9079480.html

Wiseman, A. W., Alromi, N. H., & Alshumrani, S. (2014). Challenges to Creating an Arabian Gulf Knowledge Economy. In A. W. Wiseman, N. H. Alromi, & S. Alshumrani (Eds.), *International Perspectives on Education and Society* (Vol. 24, pp. 1–33). Bingley: Emerald Group.

Wolf, B. M. (1977). Industrial diversification and internationalization: Some empirical evidence. *The Journal of Industrial Economics*, *26*(2), 177–191.

Wolter, H.-J., & Hauser, H.-E. (2001). Die Bedeutung des Eigentümerunternehmens in Deutschland - Eine Auseinandersetzung mit der qualitativen und quantitativen Definition des Mittelstands. In *Jahrbuch zur Mittelstandsforschung* (pp. 25–77). Wiesbaden: Institut für Mittelstandsforschung. Retrieved from http://www.ifm-bonn.org//uploads/tx_ifmstudies/90_nf_2.pdf

Wong, L. (2008). Data analysis in qualitative research: A brief guide to using NVivo. *Malaysian Family Physician: The Official Journal of the Academy of Family Physicians of Malaysia*, *3*(1), 14.

Woodburn, A., Allen, J., Browne, M., & Leonardi, J. (2008). The Impacts of Globalization on International Road and Rail Freight Transport Activity–Past Trends and Future Perspectives. *Transport Studies Department, University of Westminster, London, UK*.

World Trade Organisation. (2016). *World Trade Statistical Review 2016*. New York: World Trade Organisation. Retrieved from https://www.wto.org/english/res_e/statis_e/wts2016_e/wts2016_e.pdf

World Trade Organisation. (2017a). WTO | Germany - Member information. Retrieved 12 February 2017, from https://www.wto.org/english/thewto_e/countries_e/germany_e.htm

World Trade Organisation. (2017b). WTO | Kingdom of Saudi Arabia - Member information. Retrieved 17 June 2017, from https://www.wto.org/english/thewto_e/countries_e/saudi_arabia_e.htm

Worldbank. (2016a). Ease of doing business index. Retrieved 12 September 2016, from http://data.worldbank.org/indicator/IC.BUS.EASE.XQ

Worldbank. (2016b). Saudi Arabia. Retrieved 12 September 2016, from http://data.worldbank.org/country/saudi-arabia#cp_wdi

Wrage, A. (2016). How effective are anti-corruption laws in the GCC? Retrieved 25 July 2016, from http://www.constructionweekonline.com/article-37035-how-effective-are-anti-corruption-laws-in-the-gcc/

Wright, M., Westhead, P., & Ucbasaran, D. (2007). Internationalization of small and medium-sized enterprises (SMEs) and international entrepreneurship: a critique and policy implications. *Regional Studies*, *41*(7), 1013–1030.

Yang, Z., Wang, X., & Su, C. (2006). A review of research methodologies in international business. *International Business Review*, *15*(6), 601–617.

Zaharna, R. . (1995). Understanding cultural preferences of Arab communication patterns. *Public Relations Review*, *21*(3), 241–255. https://doi.org/10.1016/0363-8111(95)90024-1

Zahra, S. A. (2004). A theory of international new ventures: a decade of research. *Journal of International Business Studies, 36*(1), 20–28.

Zain, M., & Ng, S. I. (2006). The impacts of network relationships on SMEs' internationalization process. *Thunderbird International Business Review, 48*(2), 183–205.

Zarrouk, J. (2003). A survey of barriers to trade and investment in Arab countries. In A. Galal & B. M. Hoekman (Eds.), *Arab Economic Integration: Between Hope and Reality* (pp. 48–60). Washington, D.C.: Brookings Institution Press.

Zentes, J. (Ed.). (2012). *Markteintrittsstrategien: Dynamik und Komplexität*. Wiesbaden: Springer Gabler.

Appendices

Appendix 1 - Individual informed consent form

Faculty of Business and Law

Informed Consent Form for research participants

Title of Study:	A Market Entry Study into Saudi Arabia: The Case of South-West German Small and Medium Enterprises within the Metal Forming and Machine Tool Sector
Person(s) conducting the research:	Philipp Kleber
Programme of study:	Doctorate of Business Administration (DBA)
Address of the researcher for correspondence:	*Removed within the thesis for data privacy reasons*
Telephone:	*Removed within the thesis for data privacy reasons*
E-mail:	*Removed within the thesis for data privacy reasons*
Description of the broad nature of the research:	It is planned to utilise semi-structured interviews of first-line managers in South-West German Small and Medium Enterprises (SME) which are part of the Metal Forming and Machine Tool Sector (MFMTS) and have a presence (e.g. subsidiary/ branch/ regional office) in Saudi Arabia (KSA) or are currently in the phase of setting one up. Additionally, it is planned to interview relevant first-line managers from representing Chambers of Commerce (locally in South-West Germany, but also in the KSA) as well as representing federations and associations of the MFMTS. The semi-structured interviews intend to investigate the internationalisation process of South-West German SME organisations in the MFMTS to the KSA (e.g. motives and reasons for the internationalisation,

	influencing factors, location criteria and assessment). Additionally, information shall be gained about the consequences of expanding operations to the KSA, the types of market entry modes used as well as potential barriers to entry and how South-West German SME organisations in the MFMTS overcome them.
Description of the involvement expected of participants including the broad nature of questions to be answered or events to be observed or activities to be undertaken, and the expected time commitment:	Each willing participant will be expected to be interviewed in a semi-structured form. The interview phase shall be divided into three sub-phases: the pilot-phase, the interview-phase and the post-interview phase. Within the first phase, the questions going to be asked in the interview phase shall be tested. Questions going to be asked (in the pre-interview and interview-phase) will be about the experience of the first-line managers, the South-West German SME organisations in the MFMTS itself, the expansion into the KSA, potential drawbacks and problems anticipated and how the organisation overcame them. The interviews will be conducted by the researcher at a mutually convenient time in person (if not possible in person, e.g. due to time constraints: Phone-to-Phone or Skype-to-Skype). The interview duration is expected to be between an hour and an hour and a half per interview. In the post-interview phase, the outcomes of the interview phase shall be discussed with interested first-line managers. The post-interviews will be conducted by the researcher at a mutually convenient time in person (if not possible in person, e.g. due to time constraints: Phone-to-Phone or Skype-to-Skype). Furthermore, the post-interview duration is expected to be between an hour and an hour and a half per post-interview.

Description of how the data you provide will be securely stored and/or destroyed upon completion of the project.	The personal written notes will be stored in a bank vault which is strongly secured by independent security systems. The digital audio recordings will be stored on a password-protected and encrypted hard-drive in a server. Both – the written notes and the digital audio recording - will additionally comply with the relevant German Data Protection Laws and be therefore stored in Germany. Permission for taking written notes as well as audio recordings of the semi-structured interview will be sought. Any written notes will be destroyed by using a certified paper shredder.

Information obtained in this study, including this consent form, will be kept strictly confidential (i.e. will not be passed to others) and anonymous (i.e. individuals and organisations will not be identified unless this is expressly excluded in the details given above).

Data obtained through this research may be reproduced and published in a variety of forms and for a variety of audiences related to the broad nature of the research detailed above. It will not be used for purposes other than those outlined above without your permission.

Participation is entirely voluntary and participants may withdraw at any time.

By signing this consent form, you are indicating that you fully understand the above information and agree to participate in this study on the basis of the above information.

Participant's signature: **Date:**

Student's signature: **Date:**

Please keep one copy of this form for your own records

Appendix 2 - Organisational informed consent letter

RESEARCH ORGANISATION INFORMED CONSENT FORM
Faculty of Business and Law
University of Northumbria

Completion of this form is required whenever research is being undertaken by Business and Law staff or students within any organisation. This applies to research that is carried out on the premises, or is about an organisation, or members of that organisation or its customers, as specifically targeted as subjects of research.

The researcher must supply an explanation to inform the organisation of the purpose of the study, who is carrying out the study, and who will eventually have access to the results. In particular issues of anonymity and avenues of dissemination and publications of the findings should be brought to the organisations' attention.

Researcher's Name: Philipp Kleber

Student ID No. (if applicable): w13039593

Researcher's Statement:

It is planned to utilise semi-structured interviews of first-line managers in South-West German Small and Medium Enterprises (SME) which are part of the Metal Forming and Machine Tool Sector (MFMTS) and have a presence (e.g. subsidiary/ branch/ regional office) in Saudi Arabia (KSA) or are currently in the phase of setting one up.
Additionally, it is planned to interview relevant first-line managers from representing Chambers of Commerce (locally in South-West Germany, but also in the KSA) as well as representing federations and associations of the MFMTS.
The semi-structured interviews intend to investigate the internationalisation process of South-West German SMEs in the MFMTS to the KSA (e.g. motives and reasons for the internationalisation, influencing factors, location criteria and assessment). Additionally, information shall be gained about the consequences of expanding operations to the KSA, the types of market entry modes used as well as potential barriers to entry and how South-West German SME organisations in the MFMTS overcome them.

Each willing participant will be expected to be interviewed in a semi-structured form. The interview phase shall be divided into three sub-phases: the pilot-phase, the interview-phase and the post-interview phase.
Within the first phase, the questions going to be asked in the interview phase shall be tested.
Questions going to be asked (in the pre-interview and interview-phase) will be about the experience of the first-line managers, the South-West German SME organisations in the MFMTS itself, the expansion into the KSA, potential drawbacks and problems anticipated and how the organisation overcame them.
The interviews will be conducted by the researcher at a mutually convenient time in person (if not possible in person, e.g. due to time constraints: Phone-to-Phone or Skype-

to-Skype). The interview duration is expected to be between an hour and an hour and a half per interview.
In the post-interview phase, the outcomes of the interview phase shall be discussed with interested first-line managers.
The post-interviews will be conducted by the researcher at a mutually convenient time in person (if not possible in person, e.g. due to time constraints: Phone-to-Phone or Skype-to-Skype). Furthermore, the post-interview duration is expected to be between an hour and an hour and a half per post-interview.

The personal written notes will be stored in a bank vault which is strongly secured by independent security systems. The digital audio recordings will be stored on a password-protected and encrypted hard-drive in a server. Both – the written notes and the digital audio recording - will additionally comply with the relevant German Data Protection Laws and be therefore stored in Germany.
Permission for taking written notes as well as audio recordings of the semi-structured interview will be sought.
Any written notes will be destroyed by using a certified paper shredder.

Any organisation manager or representative who is empowered to give consent may do so here:

Name: ____
Position/Title: ____
Organisation Name: _____________________________________
Location: ____

If the organisation is the Faculty of Business and Law please completed the following:

Start/End Date of Research / Consultancy project:	Start: End:
Programme Year Sample to be used: seminar group, entire year etc.	
Has Programme Director/Leader, Module Tutor being consulted, informed.	

Anonymity must be offered to the organisation if it does not wish to be identified in the research report. Confidentiality is more complex and cannot extend to the markers of student work or the reviewers of staff work, but can apply to the published outcomes. If confidentiality is required, what form applies?

[ ] No confidentiality required
[ ] Masking of organisation name in research report
[ ] No publication of the research results without specific organisational consent
[ ] Other by agreement as specified by addendum

Signature: ______________________________ Date: ____________

This form can be signed via email if the accompanying email is attached with the signer's personal email address included. The form cannot be completed by phone, rather should be handled via post.

Appendix 3 - Interview guide

Note: Translated from the original German version to English

Classification Data
Organisation
Name of the organisation
Contact details of the organisation
Legal status of the organisation
Number of employees
Only for firms: Annual turnover (2014)

Participant
Position of the participant
Experience of the participant
Years of experience of the participant
Education
Gender
Age

Thank you for agreeing to take part in this interview.
This research is being carried out as part of an investigation of the market entry of South-West German SMEs within the Metal-forming Machine Tool Sector (MFMTS) into Saudi Arabia.

This study has received approval from the ethics committee of the Newcastle Business School Faculty.

The interview will be recorded and a copy of the transcript will be sent back to you for your approval before the responses are analysed. This will allow you to correct any misinterpretations or to make any additions/deletions. Your responses will remain completely anonymous.

During the interview, you are welcome to skip or pass any questions that you would prefer not to answer, or to terminate the interview at any time.

Please let me know if you would like to see a copy of the final results.
This interview should take approximately 45 to 60 minutes.

Is there anything else that I can tell you about the thesis or myself, or do you have any comments or questions before we begin the interview?

Link to Thesis	#	**Interview Guide** Question
Background of interviewee and organisation	1	**Section 1 - Information about the firm/institution** - Could you please give me some details about yourself, your (educational) background, and your involvement within the organisation/department? - How is your department and firm/*institution* organised?
Information about the firm/ organisation	2	- What kinds of products does your organisation offer in detail? / - *What kind of organisations do you represent?* - Do you adapt your products to international markets, and if so, in what terms? / - *What kind of services does your organisation offer to your members?*
Reasons for going abroad; Market entry strategy	3	**Section 2 – Market entry process of the firm** - Your organisation(s) is/*are* internationally active. What are the main reasons for entering markets abroad? - Could you let me know any further details about your/*their* market entry strategy (if any)?
Decision-maker/ process drivers/ motives/ criteria for internationalisation.	4	- Who decides, and how, the/*your member* organisation enters a new market? - Which criteria – if any – were the most important in the decision-making process?
Market entry constraints	5	- The SME literature names resource and time constraints in relation to market entry abroad. Any comments on that? What is your organisational experience with that? - If you agree with that statement, how does/*do* your *member* organisation(*s)* overcome those restrictions?
Decision-maker, characteristics	6	- Let's talk about the decision-maker(s) of the market entry process (this could be yourself as well). How would you characterise them? - Do they have some distinct characteristics that favour the process?
KSA, drivers/ motives/criteria	7	**Section 3 - Saudi Arabia and the firm** - Big markets such as the US, China, and the neighbouring EU countries are important partners for the German machinery industry: what and who brought the business intention to the Middle East, in particular to Saudi Arabia? - Were there any internal or external drivers/motivators for that?
KSA, future forecast	8	- How important is the Saudi market for your organisation(*s*)? - Do you see a certain trend, and if so, on which basis?
KSA, market entry models, market entry strategy	9	- When and how did your organisation*(s)* enter Saudi Arabia? - How did the organisation*(s)* start and develop further? - What kinds of market entry mode(s) was/ were used? - Is this part of an organisational market entry strategy?
KSA, external environment	10	- The external environment and in particular the culture in Saudi Arabia are very different. Was the external environment taken into account as part of the market entry strategy? If so, how?
KSA, market entry barriers	11	- Did you/*your members* experience any market entry barriers in the planning or establishment process (e.g. legal/political barriers, culture mentality)? If so, what kinds, and how did you overcome them?

Link to Thesis	**Interview Guide**	
	#	Question
KSA, influencing factors, culture	12	- In your experience: how does the local business in Saudi Arabia differ from the German business culture? - How does this influence business operations? - What kinds of problems might arise from that and how do you overcome them?
KSA, influencing factors	13	- Are there any comments or suggestions you would give to managers in the industry trying to enter the Saudi Arabian market?
KSA, influencing factors	14	- Finally, in your experience: what would you or your *member* organisation do differently if faced again with the decision to enter the Saudi Arabian market?

Thank you very much for taking the time to support me in my thesis.
May I get back to you in case of any further questions or unclear points?

Appendix 4 – Organisation and interview participant information

#	Organisational Classification Data							Individual Classification Data			
	Interview type (firm/ institution)	**Foundation year**	**Number of employees**	**Turnover (Financial Year 2014/2015)**	**Profit (Financial Year 2014/2015)**	**Number of shareholders (Financial Year 2014/2015)**	**Position of interview participant**	**Previous experience of the interview participant**	**Education of interview participant**	**Gender**	**Age range**
01	Firm	1954	less than 50	Not disclosed	Not disclosed	1 (family)	Chief Executive Officer	20+ years	University educated	male	45-50
02	Firm	1923	less than 300	Not disclosed	Not disclosed	2 (families)	Head of Middle East and Africa	15+ years	University educated	male	40-45
03	Firm	1934	less than 500	Not disclosed	Not disclosed	1	Head of Middle East and Africa	20+ years	Apprenticeship educated	male	35-40
04	Firm	1962	less than 100	Not disclosed	Not disclosed	1 (family)	Chief Sales and Marketing Officer	25+ years	Apprenticeship/ University educated	male	50-55
05	Firm	1879	less than 500	Not disclosed	Not disclosed	1	Chief Executive Officer	25+ years	University educated	male	50-55
06	Firm	1964	less than 400	Not disclosed	Not disclosed	1 (family)	Head of Middle East	15+ years	University educated	male	40-45
07	Firm	1922	less than 400	Not disclosed	Not disclosed	1	Chief Executive Officer	15+ years	University educated	male	40-45
08	Firm	1945	less than 500	Not disclosed	Not disclosed	1 (family)	Chief Financial Officer	25+ years	University educated	male	50-55

#	Organisational Classification Data							Individual Classification Data			
	Interview type (firm/ institution)	**Foundation year**	**Number of employees**	**Turnover (Financial Year 2014/2015)**	**Profit (Financial Year 2014/2015)**	**Number of shareholders (Financial Year 2014/2015)**	**Position of interview participant**	**Previous experience of the interview participant**	**Education of interview participant**	**Gender**	**Age range**
09	Institution	Anonymised	less than 200	-	-	-	Head of Department	20+ years	University educated	male	40-45
10	Institution	Anonymised	less than 400	-	-	-	Head of Department Middle East	20+ years	University educated	female	45-50

Appendix 5 – Initial template

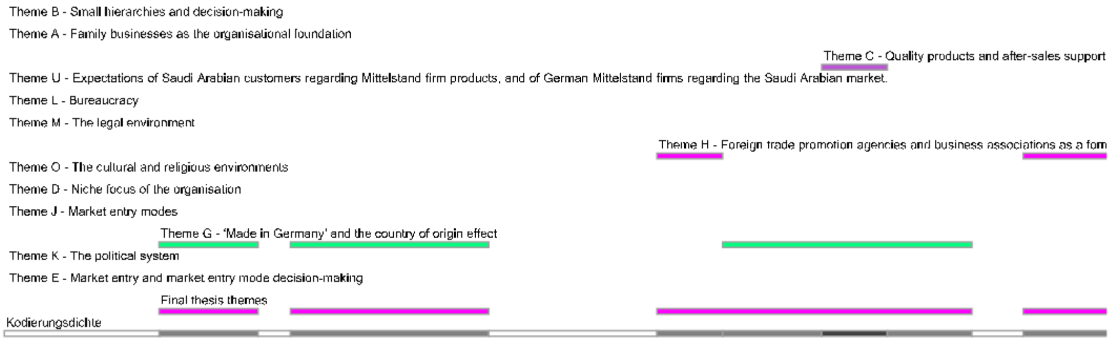
Theme Level 1	Theme Level 2
Theme 1 - Organisation	• Interviewee background • Organisational type • Organisational structure • Legal type • Adaptation of products for markets abroad • Importance of 'Made in Germany'
Theme 2 – The Mittelstand firm and market entry abroad	• Reasons • Market entry motives, drivers, and influencing factors • Market entry barriers and challenges • Market entry and entry mode strategy • Market entry modes used • Market entry criteria • Decision-makers
Theme 3 – The Mittelstand firm and the KSA	• History • Cultural environment • Market entry motives, drivers, and influencing factors • Market entry barriers and challenges • Market entry and entry mode strategy • Market entry modes used • Current and future importance of the KSA • Success factors

Appendix 6 – Final template

Theme Level 1	Theme Level 2
Theme 1 - Success factors for German Mittelstand firms entering the Saudi Arabian market	• Theme A - Family businesses as the organisational foundation • Theme B - Small hierarchies and decision-making • Theme C - Quality products and after-sales support • Theme D - Niche focus of the organisation • Theme E - Market entry and market entry mode decision-making • Theme F - The key characteristics and criteria of decision-makers • Theme G - ‘Made in Germany’ and the country of origin effect • Theme H - Foreign trade promotion agencies and business associations as a form of market entry support
Theme 2 - The business environment in Saudi Arabia	• Theme I - Limited firm resources • Theme J - Market entry modes • Theme K - The political system • Theme L - Bureaucracy • Theme M - The legal environment • Theme N - The Saudi labour nationalisation program
Theme 3 - The intercultural environment in Saudi Arabia	• Theme O - The cultural and religious environments • Theme P - Women in the work environment • Theme Q - The business family and its hierarchy • Theme R - Trust, commitments, and decision-making • Theme S - The negotiation process • Theme T - Attitude towards time • Theme U - Expectations of Saudi Arabian customers regarding Mittelstand firm products, and of German Mittelstand firms regarding the Saudi Arabian market

Appendix 7 – NVivo output

Interview 9 – Excerpt (translated from German to English) incl. NVivo themes



Name: Internals\\Interview 9 extract - coding

[…]

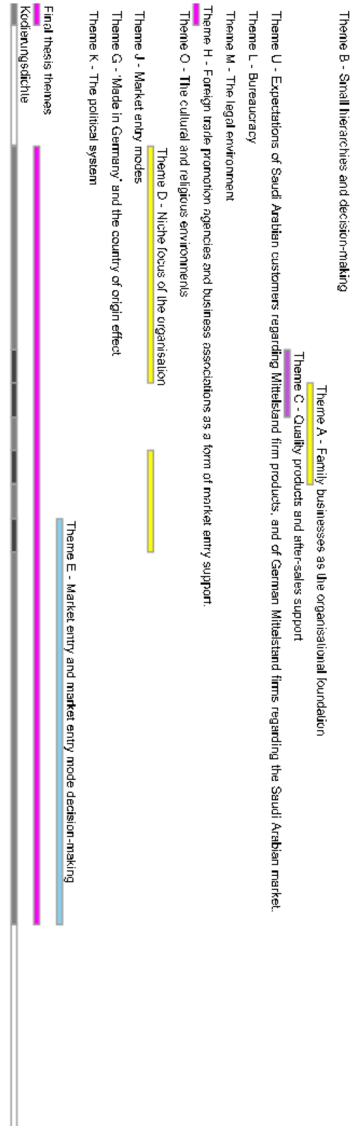
I9: The English did us a favour when they branded our products 'Made in Germany' over 100 years ago. This still pays off today. Originally, their intention was to create a negative branding, and that then transformed into something positive. If you look nowadays into the Middle East, you'll see immediately that 'Made in China' in parts still has this negative branding. Who knows, this might change in 30, 40 years to become a positive branding. But it is definitely in our favour. Partially, it's already even becoming a burden, as there are firms that produce internationally due to various reasons. And as a result, factually, 'Made in Germany' isn't true any longer, as the products are manufactured somewhere outside of Germany, doesn't matter where. And as the Germans are, they are honest and provide information that the product actually isn't made in Germany. And there we come back to the point, where company names [in your transcript] need to be anonymised. #00:32:24-4#

I: Naturally, as promised. #00:32:25-9#

I9: As an example… a few years ago in the federal trade committee, I am not sure if you still remember, the former Minister of Economics and Finance from France fulminated against 'Made in Germany' and stated that it needs to be abolished, pretty much. So, we internally - in our trade committee - discussed the topic as well. And there, Mr. [surname] – he is the CEO of [Company 1], which is originally a Swedish organisation – stood up. He then reported that even [Company 1], though they produce according to the same standards worldwide and the goods have the same quality, have issues with customers who send back the products into the organisational stock if the products are from Turkey. Their customers want the products from the plant in Bavaria. Whether this is justified or not and whether an additional willingness to pay for 'Made in Germany' exists should be left undecided. But it is definitely a competitive advantage. #00:33:47-4#

I: Very interesting. #00:33:49-5#

I9: We, the German manufacturers, do not want to give this competitive advantage up. We would be extremely stupid. #00:34:02-2#



I: I can fully understand this. If you do not mind, let's move a bit closer to the Middle East and Saudi Arabia. How do your members with whom you are in touch with daily, plan to enter the Middle East and Saudi Arabia? #00:34:32-2#

I9: Naturally this differs between the firms. I was talking to one organisation a few weeks ago, it is called – wait, I do have the business card next to me here – [Company 6], so you can already imagine what they do exactly. And when I further add, that Saudi Aramco approached them by themselves, as they definitely wanted to have them as a supplier, you should even better know who I'm talking about. And for sure you are already aware of how hard it is to get in business with Saudi Aramco as a supplier. So, this company obviously has a product that is very important for Saudi Aramco as an oil producer. And this company is really together with Saudi Aramco directly at the well. For them, the Saudi market is extremely important. It is an organisation that is located somewhere in the German province and they really do only have approximately 100 employees. And they found one of those highly specialised niches for themselves, where worldwide only a handful of companies have the necessary skills. So exactly the kind of firms that are world leaders – just like I told you before. For them, obviously, Saudi Arabia is one of the most important markets, as they are also not supplying offshore firms. So, they need to be in Saudi Arabia. Naturally this is an extreme, and to a certain extent also an exception. Furthermore, there are various options. Once a firm supplies the petrochemical industry, they obviously need to look into Saudi Arabia and see how they can participate. So, it's more a question of the general market. There are also firms that, if I may so, cannot afford not to be represented in certain regions of this world. In January, I had a talk with the one responsible for the Middle East region at [Company 7], one of the biggest Mittelstand machine tool producers in Germany, famous for their laser technology that shapes metal. So, he said that [Company 7] is active worldwide and the firm decides between wholly-owned subsidiaries and representation schemes. But they definitely cannot afford not to be present in a market. He is responsible for the Middle East and Saudi Arabia and is very happy about it. He stated that if his region is not performing, nobody realises it. And once the region performs, then somebody comes over and slaps him on the shoulder. But the future of the company is definitely not decided in Saudi Arabia or the Middle East. He can move around freely and make decisions as he wants, obviously in close cooperation with the subsidiaries and the representatives. So, he personally found the job where he can identify himself very well. #00:37:54-8#

I: Understood. #00:37:57-1#

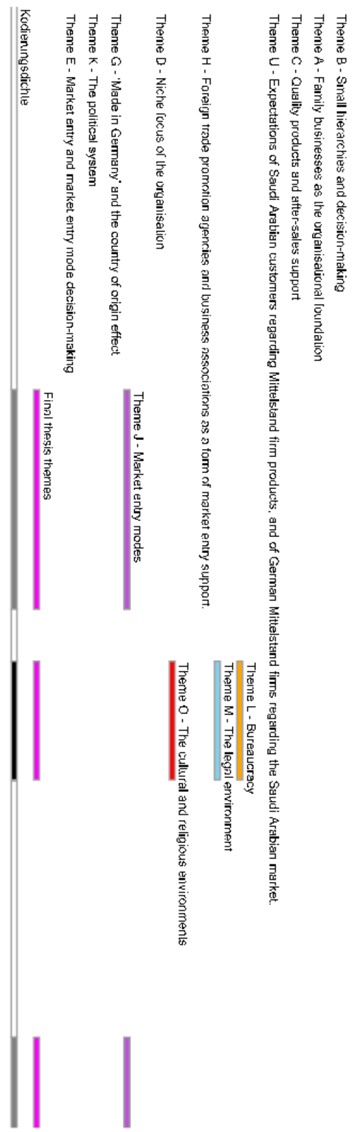
I9: Finally, as he stated, the Middle East and Saudi Arabia as distribution markets are just a little line in the charts, if at all in the pie charts. If they don’t even fall under ‘others’. Despite this, there is a dedicated regional manager close to Stuttgart who is responsible for the region. Naturally, he needs to justify his financial existence, but he can easily do that. So, additionally, I think lots of people came a bit closer to Saudi Arabia via Dubai. That they’ve seen Dubai as the switch point for the Middle East region. And then they might have decided that one can live quite well there and that the company could send someone to Dubai on their behalf to manage the region. Dubai has perfect logistical conditions and you can travel from there to everywhere in the wider region. No other city in the region can offer that between East Africa, the Far East, South East Asia, and the Philippines and so on, if you want to cover all those markets from one office. Then Dubai clearly is not that much of a wrong decision. I think that there are just a few alternative destinations that one could use. And the ones who are then based in Dubai quite soon realise that you need to have a presence in the KSA if you want to enter the real business. One clearly needs more than just someone based in Dubai. #00:39:55-5#

I: Understood. Are we talking about a representative or a wholly-owned subsidiary? #00:40:00-4#

I9: The Arab in general would always like to have a German as a contact person. And if that German contact person is just sitting in Dubai, he is only worth half or a third compared to being based in Jeddah, Riyadh, Dammam, or wherever in the KSA. Whether this is really a third or three quarters is anyone’s guess. But someone told me once that once you are based in Saudi, then you show that you are venturing into the lion’s den. They know themselves, the Saudis, that this is not paradise and that it is not comfortable to live there. And they respect everyone else who still bases himself there. #00:40:44-7#

I: Sounds fair. #00:40:47-0#

I9: I do not know if you agree with this statement. You also live there, but in my experience this statement seems to be not too far off. #00:41:05-4#



I: I think it is definitely not untrue. There seem to be major differences between the younger generations and the old generations that did not grow up only in shopping malls, in describing it in an exaggerated way. In particular, the older generation seems to be more value oriented. #00:42:05-4#

I9: Yes, fully agreed. #00:42:07-8#

I: Please just let me come back to the companies that you are in touch with and that you are representing. I assume, as a result of resource and time limitations as well as missing local knowledge, that most organisations will decide to enter the Saudi Arabian market via a representation channel. Is that correct? #00:42:24-4#

I9: Yes, this final move into the lion's den for a Mittelstand firm through a dedicated Saudi representation office, your own sales and marketing subsidiary, maybe some service support, this is the thing – this is what one could definitely imagine. But if you want to go to the next step, which the Saudis would like to have – a local production, and even if it is only a pseudo local production – then I can just recommend for the ordinary German Mittelstand firm not to go this way. #00:43:01-6#

I: Can you please be so kind as to explain this a bit further? #00:43:03-4#

I9: If you ask me spontaneously in which countries it is more complex and challenging to build up one's own representation or subsidiary, then I'd answer that besides Saudi Arabia, there's only North Korea. #00:43:26-3#

I: Okay… #00:43:30-4#

I9: But this definitely should not mean that there are not also other countries besides Saudi Arabia where it is complex to set up a subsidiary or representation. I definitely do not have the full overview. #00:43:50-9#

I: It sounds to me that from time to time, someone with those kinds of ideas approaches you… #00:43:58-3#

I9: Yes, naturally. This is always a topic. And there are indeed firms that do not only have subsidiaries and representation offices in Saudi Arabia, but also production facilities. We clearly have those firms in our representation. But if we are now talking about the really small Mittelstand firms, the ones below 200 employees, then I am not aware of that many that are actually producing in Saudi. #00:44:20-5#

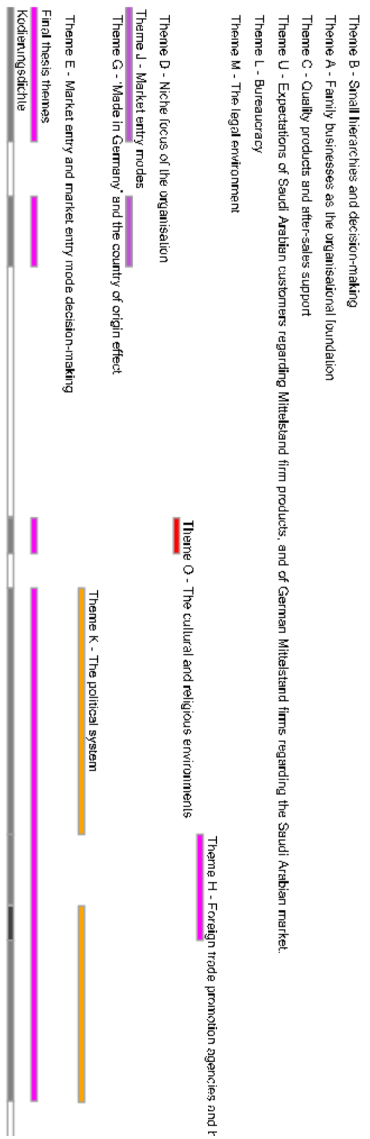
I: Understandable. #00:44:20-9#

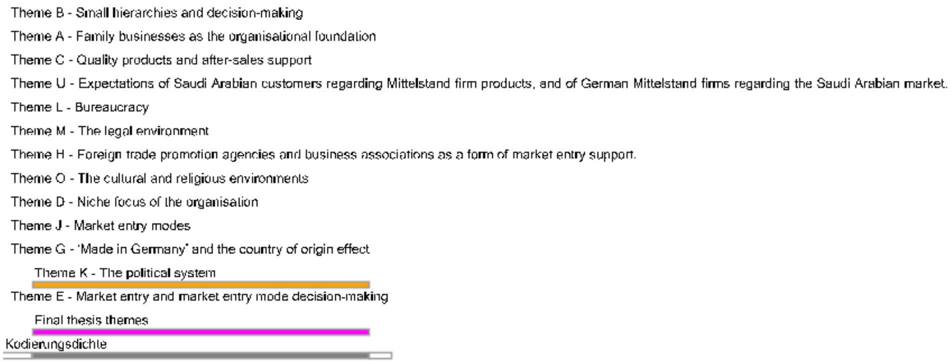
I9: I need to check and consult my files… I do not want to exclude anything and I would not be surprised if there are a few of those special cases… but it shouldn't be too many. #00:44:36-7#

I: Okay. Naturally, looking into the crystal ball to see how a country might develop in the future is never easy, in particular if the country is Saudi Arabia. Still, I would like to ask you where you see the Saudi long-term trend in terms of economics, politics, and the legal perspective. If you take a look into the next few years, what do you see and what don't you see? #00:45:14-8#

I9: Mhhhh…. The whole Middle East is a powder barrel and it will stay that way. How the region politically will develop, at least to me, is completely unclear. Most probably nobody can tell you that. I assume that any development is possible. In general, I trust that the Saudis need to continue with the industry and diversification politics that were started under the [former] King Abdullah. The economy needs to develop from the pure oil and gas business to a more consumer-driven business. Projects with new opportunities need to be further enforced and are, as you could say, a necessary evil, if they want to fix their problems. So, I trust that the economic development will further proceed as long as the oil prices allow for it, while Saudi has the opportunity to control the prices. Or at least, I trust that they do have the tools to do so. So, all in all, things should proceed positively. This is also what I try to explain to our members: If you are worried about your investment in this market, please be aware that the total investment could be a complete loss within weeks. I am a bit worried, as the political situation has fallen apart since the beginning of the year [2015]. So, I do not want to exclude anything. It also remains to be seen how King Salman will work once some critical situation arises. Even King Abdullah in 2011, who was a very famous king, had a moment when he got scared shitless, please excuse the wording. #00:48:17-4#

I: No worries. #00:48:19-2#





I9: And this moment completely went under here in Europe, as on the same day the atomic nuclear plant in Fukushima exploded. On the same day, they completely locked off Riyadh with police, military, and Special Forces, as they were afraid of protests and demonstrations that which were announced via Facebook. They simply did not know what would happen. In the end, it all stayed calm. If it had stayed silent without police all around the city, who knows. No one will ever know. And after that, he [the king] shit money on the citizens, as I'd like to say. That way, he calmed his citizens. I think we're talking about 160 billion USD which he distributed among the country's population, so that he could rest assured that everything stayed peaceful and calm. #00:49:15-7#

[….]

Interview 9 – Excerpt (translated from German to English) without NVivo themes

[…]

I9: The English did us a favour when they branded our products ‘Made in Germany’ over 100 years ago. This still pays off today. Originally, their intention was to create a negative branding, and that then transformed into something positive. If you look nowadays into the Middle East, you’ll see immediately that ‘Made in China’ in parts still has this negative branding. Who knows, this might change in 30, 40 years to become a positive branding. But it is definitely in our favour. Partially, it’s already even becoming a burden, as there are firms that produce internationally due to various reasons. And as a result, factually, ‘Made in Germany’ isn’t true any longer, as the products are manufactured somewhere outside of Germany, doesn’t matter where. And as the Germans are, they are honest and provide information that the product actually isn’t made in Germany. And there we come back to the point, where company names [in your transcript] need to be anonymised. #00:32:24-4#

I: Naturally, as promised. #00:32:25-9#

I9: As an example… a few years ago in the federal trade committee, I am not sure if you still remember, the former Minister of Economics and Finance from France fulminated against ‘Made in Germany’ and stated that it needs to be abolished, pretty much. So, we internally - in our trade committee - discussed the topic as well. And there, Mr. [surname] – he is the CEO of [Company 1], which is originally a Swedish organisation – stood up. He then reported that even [Company 1], though they produce according to the same standards worldwide and the goods have the same quality, have issues with customers who send back the products into the organisational stock if the products are from Turkey. Their customers want the products from the plant in Bavaria. Whether this is justified or not and whether an additional willingness to pay for ‘Made in Germany’ exists should be left undecided. But it is definitely a competitive advantage. #00:33:47-4#

I: Very interesting. #00:33:49-5#

I9: We, the German manufacturers, do not want to give this competitive advantage up. We would be extremely stupid. #00:34:02-2#

I: I can fully understand this. If you do not mind, let's move a bit closer to the Middle East and Saudi Arabia. How do your members with whom you are in touch with daily, plan to enter the Middle East and Saudi Arabia? #00:34:32-2#

I9: Naturally this differs between the firms. I was talking to one organisation a few weeks ago, it is called – wait, I do have the business card next to me here – [Company 6], so you can already imagine what they do exactly. And when I further add, that Saudi Aramco approached them by themselves, as they definitely wanted to have them as a supplier, you should even better know who I'm talking about. And for sure you are already aware of how hard it is to get in business with Saudi Aramco as a supplier. So, this company obviously has a product that is very important for Saudi Aramco as an oil producer. And this company is really together with Saudi Aramco directly at the well. For them, the Saudi market is extremely important. It is an organisation that is located somewhere in the German province and they really do only have approximately 100 employees. And they found one of those highly specialised niches for themselves, where worldwide only a handful of companies have the necessary skills. So exactly the kind of firms that are world leaders – just like I told you before. For them, obviously, Saudi Arabia is one of the most important markets, as they are also not supplying offshore firms. So, they need to be in Saudi Arabia. Naturally this is an extreme, and to a certain extent also an exception. Furthermore, there are various options. Once a firm supplies the petrochemical industry, they obviously need to look into Saudi Arabia and see how they can participate. So, it's more a question of the general market. There are also firms that, if I may so, cannot afford not to be represented in certain regions of this world. In January, I had a talk with the one responsible for the Middle East region at [Company 7], one of the biggest Mittelstand machine tool producers in Germany, famous for their laser technology that shapes metal. So, he said that [Company 7] is active worldwide and the firm decides between wholly-owned subsidiaries and representation schemes. But they definitely cannot afford not to be present in a market. He is responsible for the Middle East and Saudi Arabia and is very happy about it. He stated that if his region is not performing, nobody realises it. And once the region performs, then somebody comes over and slaps him on the shoulder. But the future of the company is definitely not decided in Saudi Arabia or the Middle East. He can move around freely and make decisions as he wants, obviously in close cooperation with the subsidiaries and the representatives. So, he personally found the job where he can identify himself very well. #00:37:54-8#

I: Understood. #00:37:57-1#

I9: Finally, as he stated, the Middle East and Saudi Arabia as distribution markets are just a little line in the charts, if at all in the pie charts. If they don’t even fall under ‘others’. Despite this, there is a dedicated regional manager close to Stuttgart who is responsible for the region. Naturally, he needs to justify his financial existence, but he can easily do that. So, additionally, I think lots of people came a bit closer to Saudi Arabia via Dubai. That they’ve seen Dubai as the switch point for the Middle East region. And then they might have decided that one can live quite well there and that the company could send someone to Dubai on their behalf to manage the region. Dubai has perfect logistical conditions and you can travel from there to everywhere in the wider region. No other city in the region can offer that between East Africa, the Far East, South East Asia, and the Philippines and so on, if you want to cover all those markets from one office. Then Dubai clearly is not that much of a wrong decision. I think that there are just a few alternative destinations that one could use. And the ones who are then based in Dubai quite soon realise that you need to have a presence in the KSA if you want to enter the real business. One clearly needs more than just someone based in Dubai. #00:39:55-5#

I: Understood. Are we talking about a representative or a wholly-owned subsidiary? #00:40:00-4#

I9: The Arab in general would always like to have a German as a contact person. And if that German contact person is just sitting in Dubai, he is only worth half or a third compared to being based in Jeddah, Riyadh, Dammam, or wherever in the KSA. Whether this is really a third or three quarters is anyone’s guess. But someone told me once that once you are based in Saudi, then you show that you are venturing into the lion’s den. They know themselves, the Saudis, that this is not paradise and that it is not comfortable to live there. And they respect everyone else who still bases himself there. #00:40:44-7#

I: Sounds fair. #00:40:47-0#

I9: I do not know if you agree with this statement. You also live there, but in my experience this statement seems to be not too far off. #00:41:05-4#

I: I think it is definitely not untrue. There seem to be major differences between the younger generations and the old generations that did not grow up only in shopping malls, in describing it in an exaggerated way. In particular, the older generation seems to be more value oriented. #00:42:05-4#

I9: Yes, fully agreed. #00:42:07-8#

I: Please just let me come back to the companies that you are in touch with and that you are representing. I assume, as a result of resource and time limitations as well as missing local knowledge that most organisations will decide to enter the Saudi Arabian market via a representation channel. Is that correct? #00:42:24-4#

I9: Yes, this final move into the lion's den for a Mittelstand firm through a dedicated Saudi representation office, your own sales and marketing subsidiary, maybe some service support, this is the thing – this is what one could definitely imagine. But if you want to go to the next step, which the Saudis would like to have – a local production, and even if it is only a pseudo local production – then I can just recommend for the ordinary German Mittelstand firm not to go this way. #00:43:01-6#

I: Can you please be so kind as to explain this a bit further? #00:43:03-4#

I9: If you ask me spontaneously in which countries it is more complex and challenging to build up one's own representation or subsidiary, then I'd answer that besides Saudi Arabia, there's only North Korea. #00:43:26-3#

I: Okay… #00:43:30-4#

I9: But this definitely should not mean that there are not also other countries besides Saudi Arabia where it is complex to set up a subsidiary or representation. I definitely do not have the full overview. #00:43:50-9#

I: It sounds to me that from time to time, someone with those kinds of ideas approaches you… #00:43:58-3#

I9: Yes, naturally. This is always a topic. And there are indeed firms that do not only have subsidiaries and representation offices in Saudi Arabia, but also production facilities. We clearly have those firms in our representation. But if we are now talking about the really small Mittelstand firms, the ones below 200 employees, then I am not aware of that many that are actually producing in Saudi. #00:44:20-5#

I: Understandable. #00:44:20-9#

I9: I need to check and consult my files… I do not want to exclude anything and I would not be surprised if there are a few of those special cases… but it shouldn't be too many. #00:44:36-7#

I: Okay. Naturally, looking into the crystal ball to see how a country might develop in the future is never easy, in particular if the country is Saudi Arabia. Still, I would like to ask you where you see the Saudi long-term trend in terms of economics, politics, and the legal perspective. If you take a look into the next few years, what do you see and what don't you see? #00:45:14-8#

I9: Mhhhh…. The whole Middle East is a powder barrel and it will stay that way. How the region politically will develop, at least to me, is completely unclear. Most probably nobody can tell you that. I assume that any development is possible. In general, I trust that the Saudis need to continue with the industry and diversification politics that were started under the [former] King Abdullah. The economy needs to develop from the pure oil and gas business to a more consumer-driven business. Projects with new opportunities need to be further enforced and are, as you could say, a necessary evil, if they want to fix their problems. So, I trust that the economic development will further proceed as long as the oil prices allow for it, while Saudi has the opportunity to control the prices. Or at least, I trust that they do have the tools to do so. So, all in all, things should proceed positively. This is also what I try to explain to our members: If you are worried about your investment in this market, please be aware that the total investment could be a complete loss within weeks. I am a bit worried, as the political situation has fallen apart since the beginning of the year [2015]. So, I do not want to exclude anything. It also remains to be seen how King Salman will work once some critical situation arises. Even King Abdullah in 2011, who was a very famous king, had a moment when he got scared shitless, please excuse the wording. #00:48:17-4#

I: No worries. #00:48:19-2#

I9: And this moment completely went under here in Europe, as on the same day the atomic nuclear plant in Fukushima exploded. On the same day, they completely locked off Riyadh with police, military, and Special Forces, as they were afraid of protests and demonstrations that which were announced via Facebook. They simply did not know what would happen. In the end, it all stayed calm. If it had stayed silent without police all around the city, who knows. No one will ever know. And after that, he [the king] shit money on the citizens, as I'd like to say. That way, he calmed his citizens. I think we're talking about 160 billion USD which he distributed among the country's population, so that he could rest assured that everything stayed peaceful and calm. #00:49:15-7#

[….]

Declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the Faculty Ethics Committee on 30th June 2014 (Project Amendment: 5th September 2014).

I declare that the word count of this thesis is 65,524 words.

Name: Hans Philipp Kleber

Signature:

Date: 12 July 2017