

### The mediating role of empowering workers in the relationship between the entrepreneurial orientation and operational performance of Bahraini family businesses

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#### **Abstract**

Performance is a multi-faceted phenomenon that is difficult to measure because it is affected by many different factors. As a complex phenomenon that occurs as a result of the interaction of many elements, it is difficult to define it precisely. This, in turn, poses a problem for companies seeking to improve their overall performance results. Accordingly, this study aimed to find out the mediating role of empowering workers in the relationship between the entrepreneurial orientation of Bahraini family businesses and operational performance. To achieve the objectives of the study, previous studies were used to build the study model, as well as to develop hypotheses. The target of this research was a sample of Bahraini family businesses in the different governorates of Bahrain. The study used the descriptive analytical approach. The questionnaire was a main tool for collecting data from a non-probability sample. (120) questionnaires were distributed to Bahraini family businesses with a recovery rate of (85%). Data were processed statistically by (AMOS 25). The validity of the model was confirmed by Cronbach's alpha test. The study reached a set of results, the most important of which are: There is a relationship between the entrepreneurial orientation and the operational performance, and that the empowerment of employees mediates the positive relationship between the entrepreneurial orientation and the operational performance. The results were discussed and compared with previous studies, and then a number of suggestions were made regarding future studies.

**Keywords**: entrepreneurial orientation, employee empowerment, operational performance

#### Introduction

The performance of institutions is a multi-faceted phenomenon, and therefore it is difficult to measure it because it is affected by many different factors. Therefore, many

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previous studies dealt with this phenomenon as a study (Aragon, Sanchez 2005: Andrew Et al 2006). It is a complex phenomenon that occurs as a result of the interaction of many elements that are difficult to define precisely. This, in turn, represents a problem for companies that seek to improve their overall performance results, as a result of the disparity in the nature and characteristics of the industry. It is very difficult to develop a general indicator to measure institutional performance. Whereas, performance measures should be established based on the fact that the goals are different and that different indicators should be used for measurement (LIU and Zhengping, 2011).

In order for these companies to rise, they must be concerned with having a strategic vision that enables them to manage their hopes. Therefore, the entrepreneurial approach came, which is considered one of the components of the strategic direction that adopts the organization's attitudes towards innovation and creativity, and is considered an essential element of the organization's strategic direction (Slater et al., 2006). The purpose of adopting the entrepreneurial orientation strategy is due to two reasons: first, it demonstrates the role of the organization in expanding its business scope so that it can target new markets to increase its inputs, and second, it demonstrates the ability of the organization to use the energies and resources available for the purpose of using it in the process of competition and intelligence (Herschel et al., 2000), which considers the human resource to be one of the most important resources that contribute to the development of those companies that seek to achieve leadership in the market. One of the most prominent of these future trends to achieve adaptation in the regulatory framework is to empower workers to develop performance and give them more powers to participate in decision-making. As many organizations seek to achieve their goals by raising the productive efficiency of the labor force to support competition (Miftah and God's will, 2012).

Through the researchers' review of the studies and research conducted on Bahraini family businesses, we find that the study of (Ernst N. Young, 2011), which is the first of its kind on family businesses in the Kingdom of Bahrain and the Arabian Gulf, which recommended conducting more research and deep and intensive studies to analyze how management of these companies. As a professional study, it focused on aspects and did not measure the strategic direction and performance according to a comprehensive perspective. Nor did the study show the approach it took to measure the strategic direction, despite performance problems and unprecedented challenges and opportunities facing these companies in the Kingdom of Bahrain (Kano: 2011). On the other hand, by reviewing the study literature, a few published studies dealt with the study of the direct relationship between entrepreneurial orientation and operational performance. The study of (Latif and Rasheed, 2011) and the study of (Fairoz, et..al, 2010) failed to indicate the relationship between entrepreneurial orientation and overall performance without dividing it into dimensions.

However, previous studies neglected the mediating role of empowering workers in the relationship between entrepreneurial orientation and operational performance, despite achieving positive results as a mediating variable, such as the study (Miftah and God's Will, 2012) and the study (Majid and Badrawi, 2013). Based on the foregoing, the current study is considered one of the studies aimed at bridging the research gaps in order to answer the following main question: "What is the role played by the empowerment of workers as a mediating variable in the relationship between entrepreneurial orientation and operational performance in Bahraini family businesses?" Taking into account the resource theory, which considers the institution as a unique set of resources (technical, organizational, and human) that represent the entrepreneurial orientation. It is also those resources that mainly work in measuring operational performance (Prahalad & Hamel, 1990).

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In line with the study's questions, the current study seeks to achieve a set of objectives represented in revealing the nature of the relationship between entrepreneurial orientation and operational performance in Bahraini family businesse, in addition to determining whether employee empowerment plays a mediating role in the relationship between entrepreneurial orientation and operational performance in Bahraini family businesses. The theoretical importance of the study is that this study worked on empowering employees as a mediating variable in the relationship between entrepreneurial orientation and operational performance. It also sheds light on the pioneering trend in Bahraini family businesses. Which contributes to increasing creativity and innovation. The applied importance is represented in helping decision-makers in Bahraini family businesses to apply the results of the study, which can contribute to increasing the level of performance in those companies.

#### Theoretical framework

#### The concept of entrepreneurial orientation

The first idea of leadership appeared at the hands of the writer Cantillon in 1725, who was the first to introduce this concept. Accordingly, many entrepreneurial concepts and contents emerged, including the entrepreneurial orientation because it represents the most prominent real orientation for any organization that seeks to achieve excellence in the business world. Accordingly, the researchers differed in defining the concept of entrepreneurial orientation, but the content is the same. Accordingly, (Al-Hadrawi and Al-Kalabi, 2012) indicated that the entrepreneurial orientation is a strategy that drives organizations to achieve a competitive advantage by relying on activities, especially creativity, taking risks and taking initiative to enter new markets, seize opportunities and meet the needs and desires of customers.

The entrepreneurial orientation can be defined as a "strategic method of work that adopts the methodology of continuous change and the generation and employment of ideas". Responding to the requirements of the work environment in a proactive manner puts the organization at the forefront of market leadership in the field of business administration (Al-Tamimi, 2016).

#### Dimensions of entrepreneurial orientation:

After reviewing many literatures on entrepreneurial orientation, it was noted that there was no comprehensive agreement among researchers about the dimensions of entrepreneurial orientation. Some of them agreed with the other on a set of dimensions, some of them disagreed, and some of them added or excluded some dimensions. (Osman et, al 2011) indicated that entrepreneurial orientation has three dimensions, namely innovation, initiative and risk-taking.

#### Innovation:

Innovation is an important element for the success of organizations and the continued generation of new ideas. Creativity also creates value and makes the organization have a competitive advantage, which is a strategy for survival and continuity in the industry well (Youssef 2014). Creativity is defined as generating useful ways and methods to accomplish business, and it is how to think away from traditional contexts, while evoking all forms of adventure from adopting and supporting change processes in order to achieve creative transformations in organizations' environments and operations as well as their outputs to their environment (Fadl, 2015). As for (Diop, 2013), he explained that innovation is: the generation, acceptance and application of new ideas, processes, products, policies, tools and devices that are new to the organization and its environment.

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#### The initiative

It means the efforts of the organization to seize new opportunities, and the willingness of proactive organizations to trends and trying to know the future requirements of existing customers and to be aware of changes in demand. Proactivity is very effective in creating a competitive advantage because it places competitors in a position to respond to the initiatives of proactive organizations (Dess et al 2005), and also as shown (Research Introduction to Business Administration Sciences, 2016). Proactivity means the company's tendency to seize new opportunities and its independence, to identify the needs of existing and future customers, and to conduct an environmental examination that exceeds competitors. Also, (Al-Hadrawi and Al-Kalabi, 2012) explained the concept of proactiveness as anticipating future needs and environmental changes through the use of new methods and modern technologies.

It is the participation in future problems, needs and changes, and the extent of distributing new products, technology and administrative techniques. As pointed out (Caruana al Bert "200") to the initiative as the ability to take high risks more than the environmental conditions surrounding the organizations.

#### Take risks

Many researchers focus on this dimension of entrepreneurial orientation and its relationship to organized performance, because of this dimension's focus on activating the entrepreneurial process. Accordingly, this concept has been addressed because it focuses on assessing risk tolerance through expectations towards the set of risks expected to be faced by the entrepreneur and the organization, as well as calculating this risk (Hughes and Morgan "2007"). Whereas (Xaba and Malindi (2010) indicated that risk is the process of making bold decisions for the purpose of taking on specific opportunities in the business market or opening a new project for the purpose of reaching a positive result or the required result. While Alderman (2011) believes that risk represents a framework for the entrepreneurial approach that refers to the desire to venture into the unknown without knowing the potential results, which may involve investing in technology or entering unknown or previously tested markets in addition to the financial risk that may affect the company. In the same context, some researchers (Al-Mukhtar and Ismail, 2014) touched on the concept of risk tolerance through the procedural link between the product and the process and general risk tolerance in terms of its positive impact on the types of performance as it stimulates the entrepreneur and makes him ready to face the types of risks expected to be encountered during work.

There are many types of risks that the entrepreneur is expected to incur, whether the individual or the entrepreneurial organization, and these risks include: financial risks - job risks - social and family risks - economic risks - loss of investment. Based on the aforementioned, it can be said that risk tolerance is a very important dimension in the entrepreneurial process at the level of the individual and the organization, and it calls for and requires highly qualified human resources to bear the risk. All necessary procedures and preparations are taken to confront the danger and the responsibility that results from it, and to overcome it through efficient management.

#### The concept of employee empowerment

Empowerment is considered one of the most recent and influential strategic practices in the field of management. It is in a general conceptual way to make employees fully and personally responsible for work procedures by involving them in the administrative process. Some concepts that explain the meaning of empowerment can be reviewed:



It is the process through which employees are given a space of independence and freedom in making decisions so that the manager shares with his subordinates the powers he possesses. The empowerment process includes, in addition to participating in providing decision-making, also participating in providing suggestions and ideas and using knowledge and experience (Soap, 2015). Empowerment is the most widely used term in the nineties of the last century, and it means delegating powers and institutions to workers and giving them complete freedom to perform work in their own way without direct interference from management while providing them with adequate resources and a suitable work environment for them and qualifying them technically and behaviorally to perform work and having absolute confidence in them. (Bulgel 2013-2014). The meaning of empowerment is clear as the participation of officials and leaders of authority with the employees of the institution. And Karujsky defined it as giving the work team the responsibility for making decisions and the consequences thereof instead of management (Zuzal, 2016). Empowerment is one of the important issues in building a strong organizational culture that is capable of facing new challenges in business implementation.

(Younis, Al-Hiti (2011)) mentioned the foundations for the process of empowerment and that there is a clear relationship between the power structure (authorities and powers) and empowerment (the right to exercise powers and powers). This relationship constitutes the foundations of empowerment, which are as follows: the power to change the situation, expand the circle of fulfilling obligations, specialization, and expand the scope of authority. These foundations help in addressing the phenomenon of complicating the relationship between the leader and subordinates and simplifying the relationship between them.

#### operational performance

Operational performance is one of the concepts that studies and literature focused on, but they did not agree on a specific concept of performance because of the divergence and multiplicity of purposes and directions, which led to different concepts and definitions. Some of them focused on performance in its narrow sense, which emphasizes the objectives of financial performance. While others focused on performance in its broad sense, which is determined by the extent to which complex objectives are achieved in their quantitative and qualitative dimensions. Most of the studies focused on the performance of small projects by measuring the financial and operational performance, as between (Fey, et.al, 2000) two indicators of operational performance: productivity and voluntary work turnover, on the basis that human resource management applications do not have a direct impact on the financial results of the project. Rather, it affects other resources such as human capital or worker behavior. And thus lead to the creation of a skilled, motivated, and empowered work force, which affects the operational performance, which in turn will affect the financial results, as seen by (Shaw and Delery 2001). While others referred to operational performance measures such as productivity, quality, and damage reduction (Wright, et.al, 200). (Collins, 2004) chose the operational performance measures for small projects as follows: Customer satisfaction: Likewise, the key to organizational success because it is the basis for the return of the customer to deal with projects, and this is what you need for survival and success. It is also an important measure of operational performance, but the study focuses on operational performance without dimensions.

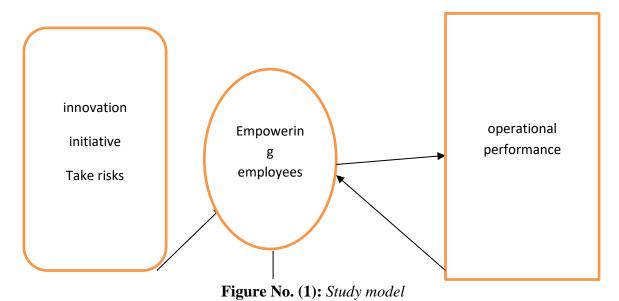
#### Resource theory

The resource theory seeks to explain the sources of gaining competitive advantage for organizations through their resources. Through the development of this theory, we find that it focused on intangible resources due to its ability to give the organization a sustainable competitive advantage. This is because all organizations have tangible resources in addition to being easily acquired or imitated by competitors. Thus, the difference lies in its intangible *Res Militaris*, vol.13, n°1, Winter-Spring 2023

resources, especially its organizational and strategic capabilities, and its response to changes in the surrounding environments. According to this theory, it is the presence of distinguished resources in institutions that explains the difference in performance between institutions in the same sector (Bahja, 2010). The ability of resources to create value can also be measured by the ability of the strategy to create value that current and potential competitors cannot imitate. And activate the use of resources and competencies in the sense that the resources are of value if employed in the formulation and implementation of effective strategic directions. Hence, the evaluation process should aim to know the value resulting from the strategy (performance), and only in this case can the value of resources and competencies be known (Bawazid Wasila, 2012).

#### Study model and hypothesis development

To achieve the objectives of the study, many previous studies and research related to the subject of the study were reviewed, and then linked between the variables of the study, by building the clear study model in the below figure.



Preparation of researchers

#### The relationship between entrepreneurial orientation and operational performance:

The study (Rashid and Al-Ziyadi, 2013) revealed that there is a correlation and a statistically significant effect between the dimensions of entrepreneurial orientation and outstanding university performance. The study (Galetic & Milovanovic, 2009) explored the impact of entrepreneurial orientation on the performance of organizations in the Croatian hotel industry. Where the results showed that the entrepreneurial approach with its three dimensions (creative, proactive, and risk acceptance) is a valuable and reliable resource for improving performance. By reviewing previous studies, the researchers noticed that there were no studies that dealt with the relationship between entrepreneurial orientation and operational performance. Hence, the first main hypothesis can be concluded: There is a positive relationship between entrepreneurial orientation and operational performance.

#### The relationship between employee empowerment and operational performance:

A study (Ben Nahit, 2008) indicated that there is a statistically significant relationship between the degree of adoption by the security organizations under study of empowerment as a philosophy and administrative approach, and the degree of performance development in these organizations. And a study (Abu Aleem, 2014) showed that there is a statistically significant effect between the variables of administrative empowerment on organizational performance.

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By reviewing previous studies, the second main hypothesis can be concluded: There is a positive relationship between employee empowerment and operational performance.

#### The relationship between entrepreneurial orientation and employee empowerment:

The study (Richarda, et.al, 2009) aimed to demonstrate the role of human capital and entrepreneurial orientation on progressive product innovation in Nairobi. The study concluded that the entrepreneurial orientation of small carpentry workshops leads to the gradual adoption of product creativity. And a study (Walsh, 2008), which aimed to demonstrate the impact of strategic direction on investment in intellectual capital. Which concluded that there is an indicative effect of the strategic direction on investing in intellectual capital in terms of organizational capital, relational capital, and human capital. By reviewing the results of the studies, the third main hypothesis can be concluded: There is a positive relationship between entrepreneurial orientation and employee empowerment.

## Employee empowerment mediates the relationship between entrepreneurial orientation and operational performance:

The study (Majid and Badrawi, 2013), which was applied to (223) items on the Southern Fertilizer Company, indicated that the empowerment of workers has an effective role when it enters as a mediating variable between leadership styles and organizational commitment. Likewise, a study (Miftah and God's Will, 2012) showed that the empowerment of workers mediates the relationship between the effect of knowledge sharing and job performance. Through the researchers' review of previous studies, we find that there are many studies that used the empowerment of workers as a mediating variable with different dimensions. Hence, the third main hypothesis can be deduced: the relationship between entrepreneurial orientation and operational performance in Bahraini family businesses, with the presence of employee empowerment as a mediating variable.

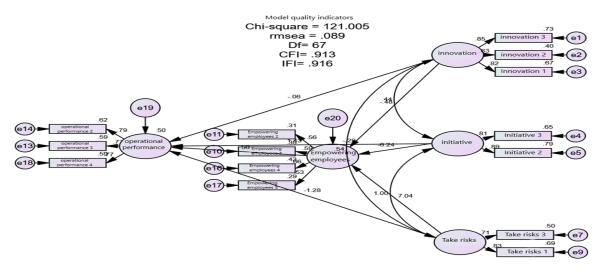
### Study methodology

The study followed the descriptive analytical approach, in attempt to describe the phenomenon under study, analyze its data, and show the relationship between its components. the opinions that are raised about it, the processes that it includes, and the effects that it causes. The study population consisted of all the family companies in the Kingdom of Bahrain, which numbered (159) companies, according to the statistics of the Bahraini Family Business Association. A random sample (120) was chosen by means of a questionnaire to implement the study in the field, and to reach answers to the questions and hypotheses of the study. After distributing the questionnaires and under the supervision of the researcher, (117) questionnaires were retrieved at a rate of (97.5%). After conducting statistical analyzes of missing and abnormal values, (15) questionnaires were deleted to correct questionnaires at a rate of (12.8%) of the total study sample. To achieve the objectives of the study, the study used the questionnaire as a data collection tool, which was prepared and developed based on the use of the standards set by the researchers. In order to reach the questionnaire in its final form, the following steps were followed: Determine the objective of the questionnaire, which represents the disclosure of the mediating role of empowering workers in the relationship between entrepreneurial orientation and operational performance in Bahraini family businesses. And with regard to determining the dimensions of the questionnaire and formulating its statement, it was relied on to study each (Juan C. Real 2014 Knight, 1997;). Items for measuring innovation were done through (3) phrases. And a study (Juan C. Real 2014 Lumpkin and Dess, 1996;) to measure the initiative was done through (3). As for risk tolerance, the study was based on (Miller and Friesen, 1978; Juan C. Real 2014), which consists of (3) statements. While the

focus of employee empowerment was measured based on the (Jalal Hanaysha 2016 Huxtable, 1994;) scale, which consisted of (5) items. As for the operational performance, which consisted of (Flynn et al 2010) paragraphs based on scale (4). The five-point Likert scale was used. The questionnaire was presented to a group of arbitrators with competence to seek guidance from their opinions on the suitability of the paragraphs of the questionnaire for its purpose. As well as to ensure the correctness and clarity of the linguistic formulation.

#### **Data Analysis**

The basic data contained ten elements: gender: age: educational qualification, years of experience, job position, nature of work, age of the company, number of employees, markets, and products of the company. With regard to gender, we found that the sample included 56.4% of males and 43.6% of females. As for the age, we found that the respondents are (16.6% less than 30 years old, 31.5% from the 31-35 years old category, and 38.5% were from 36 to 40 years old, while the over 40 years old group reached 13.3%). As for the educational qualification, we find that 59.7% have a bachelor's degree, 0.6% have a higher diploma, 39.2% have a master's degree, and 0.6% have a doctorate. As for the years of experience, we find that 31.1% are less than 5 years, 23.3% are from 5 to 10 years, 20.2% are from 11 to 15 years, 13.5% are from 15 to 20 years, and 11.9% are more than 20, year). As for the job position, we find that 12.7% are managers, 7.7% are deputy directors, 29.8% are department heads, and 49.7% are employees. As for the nature of work, we find that it is 100% industrial. As for the age of the company, we find that 0.6% of them are 5 years or less, 2.8% of them are from 6-10 years, 21.0% of them are from 11-15 years, and 75.7% of them are 15 years or more). As for the number of workers, we find that 3.9% are less than 30 workers, 0.6% of them are 6 to 10 workers, 31.5% are 11 to 15 workers, and 64.1% are more than 100 workers. As for the markets, we find that 23.2% of the respondents are local, 1.7% of the respondents are international, and 75.2% of the respondents are international and local. As for the company's products, we find that 97.2% is developing, and 2.8% is service. In order to analyze the data of the study, the researcher relied on the exploratory and confirmatory factor analysis in order to obtain indicators of the quality of the model, which are known as the indicators of conformity quality, in the light of which the assumed model of the data is accepted or rejected. The following figure shows the exploratory and confirmatory factor analysis of the study model



**Figure 2:** Confirmative factor analysis Reliability and validity analysis:

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Consistency analysis is used to find the internal consistency of the data and ranges from (0 to 1). A value (Alpha Cro-Nabach) was calculated to find the internal data consistency. Based on the suggestion of (Hair et al, 2010) it was suggested that the value of Cro-Nabach's alpha should be more than 0.70 by means of the composite reliability (CR). As well as calculating each of (MSV, MaxR(H), AVE) to ensure the validity of the model. The following table shows alpha after confirmatory and confirmatory factor analysis and also shows the values of the descriptive statistic.

**Table** (1) form validity

	Mean	Std. D	CR	AVE MSV	ASV	
innovation	1.71	0.56	0.815	0.5990.416	0.841	0.774
Initiative	2.0	0.59	0.762	0.5371.013	0.850	0.475*** 0.733
Take risks	1.96	0.84	0.581	0.3971.013	0.764	10.544***1.006*** 0.630
Empowering employees	2.04	0.52	0.684	0.3050.494	0.695	5 0.645***0.651***0.613*** 0.553
operational performance	2.47	0.89	0.795	0.5010.494	0.824	4 0.239† 0.469*** 0.432** 0.703***0.708

#### Hypothesis testing

In the statistical analysis of the data, the researchers relied on the structural equation modeling method, in which the path analysis method was used, because of the several advantages this method has, commensurate with the nature of the study in this research.

For the purpose of identifying the significance of the effect, the level of significance (0.05) was relied upon to judge the extent of the significance of the effect. Where the calculated level of significance was compared with the value of the approved significance level. The effects are considered statistically significant if the value of the calculated significance level is smaller than the standard significance level (0.05) and vice versa. To test the indirect hypothesis, the student relied on the method (Parameter A \* B) to know the indirect effect that was developed by (J Gaskin (2016)). Which aims to extract the indirect effect by multiplying the direct effect by the indirect effect. The following table shows the path analysis values.

**Table(2)** path between variables

	hypotheses		Estimate	S.E.	C.R.	P	Label
Empowering employees	<	innovation	298	.159	-1.869	.062	par_16
Empowering employees	<	initiative	.000	.007	012	.990	par_17
Empowering employees	<	take_risk	.016	.081	.193	.847	par_18
operational performance	<	innovation	302	.331	914	.361	par_13
operational performance	<	initiative	.003	.225	.012	.990	par_14
operational performance	<	take_risk	.010	.056	.185	.854	par_15
operational performance	<	Empowering employees	638	.283	-2.254	.024	par_19

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#### Discuss the results

The aim of this study is to test the relationship between the entrepreneurial orientation of Bahraini family businesses and operational performance through employee empowerment as an explanatory variable. The results of the study indicate that the dimensions of entrepreneurial orientation do not directly affect the operational performance of Bahraini family businesses. Where this result is consistent with the study (Ernst N. Young, 2011), which is the first of its kind on family businesses in the Kingdom of Bahrain and the Arabian Gulf, which concluded that the strategic planning of these companies is weak. It recommended the necessity of conducting more deep and intensive research and studies to analyze how these companies operate and manage. Because these companies suffer from problems related to the strategic direction they have. And it suffers from many problems related to the type of strategic direction that achieves its continuity and works to reduce operating costs and others in order to achieve stability. He also believes that it is necessary to study the strategic direction of these companies from a comprehensive perspective. This is despite the performance problems and the unprecedented challenges and opportunities facing these companies in the Kingdom of Bahrain. In other words, the performance within the Bahraini family businesses can only be achieved by introducing employee empowerment as a mediating variable in the relationship in order to strengthen it. This is what was actually achieved, as the results of the study proved that innovation affects the empowerment of workers, and the empowerment of workers affects operational performance. These results fulfill the conditions proposed by Baron and Kenny (1986) for the purpose of introducing the intermediate variable into the relationship. The introduction of employee empowerment as a mediating variable may increase the impact of entrepreneurial orientation on companies' performance. The results of the current study are consistent with the current debate about the study of the entrepreneurial orientation from a contingency perspective, which is linked to performance, as stated in the study (Lumpkin & Dess, 2001). Accordingly, the results of this study contribute to the need to recognize the importance of the entrepreneurial approach in the performance of companies. The study (Lumpkin & Dess, 1996) proved that there is a link between entrepreneurial orientation and performance. The entrepreneurial orientation is very important and has a positive impact on the company's performance, as stated in the study of (e.g. Barringer & Bluedorn, 1999; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2003; Zahra & Covin, 1995).

#### Study limitations

The application of this study was limited to Bahraini family businesses, and it did not include companies in other sectors. Thus, this limits the generalization of the results to all sectors of Bahraini companies. It also dealt with the empowerment of employees as a mediating variable, but it is possible that there are other factors that are advised to study their impact on the relationship between entrepreneurial orientation and operational performance.

#### Future research

#### Re-application of the same study on industrial companies in the Kingdom of Bahrain.

Conducting a comparison between Bahraini family businesses and family businesses in the rest of the GCC countries.

Re-application of the same study with the use of a different methodology, such as a case study on specific Bahraini companies or institutions.

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