**International entrepreneurial SMEs in the Muslim world:**

**The role of religion in the GCC countries**

**Abstract**

Recent studies examining the internationalisation of SMEs in emerging economies have observed that religion affects international market entry, which suggests that specific cultural aspects, such as religion, have not hitherto received enough attention. Hence, this study examines a theme that has seemingly escaped the research agenda: how does religion affect SMEs’ internationalisation? The study draws empirical evidence from 10 manufacturing SMEs located in the Gulf Cooperation Council (GCC) region. Through an embedded approach to case study research, the study queries the role of religion in the development of intra-Muslim internationalisation and contributes to the scant literature that examines the impact of Islamic values on international business activities. The findings show three dimensions of Islamic entrepreneurship, viz. regional rather than international networking orientation, risk aversion and proactiveness.

*Keywords: SMEs, born regional, religion, internationalisation, Islam;* *international entrepreneurship*

1. **Introduction**

Countries differ in terms of their judicial, education and economic systems as well as their national culture and social norms. Taken together, these factors all define our perceptions of the similarity or distance between nations. To explain the impact of the cross-border conditions, scholars have introduced the concept of distance and conclude that “*international management is the management of distance”* (Zaheer et al., 2012, p. 19). The Uppsala school, for example, signified the influence of distance as a key determinant of internationalisation (Vahlne & Johanson, 2017). However, the empirical evidence on cultural distance and internationalisation is mixed and shows both negative (e.g., Malhotra et al., 2016) and positive effects (e.g., Dikova and Brouthers, 2016; Beugelsdijk et al., 2017). Given these conflicting results and the fact that most studies are quantitative (Zucchella, 2021), there is a need for qualitative research such as ours.

In addition, although a plethora of studies have given due consideration to the effect of cultureoninternationalisation, there remains a paucity of empirical investigation of specific cultural aspects such as religion (Richardson, 2014; Dow et al., 2016; Richardson & Rammal, 2018; Kwok et al., 2020). Scholars tend to apply a “blanket” logic and rarely provide an in-depth or nuanced explanation of culture’s multifaceted constructs (Beugelsdijk et al., 2017). Even the much-acclaimed work of Hofstede (2001) in his cultural index does not include religion as a variable, despite (a) the index’s wide application in international business literature; (b) the close correlation between religion and culture (Millar, 2017), and (c) the effect of religious values on the workplace, business, and leadership (Weber,1905/2010).

Despite these issues, then, the literature has not fully captured the role of religion in minimising distance in the context of SMEs’ internationalisation (Dow & Karunaratna, 2006; Richardson, 2014; García-Muiña et al., 2020). However, Richardson (2014) establishes that common religious connotations trigger internationalisation among Muslim countries and calls for further investigation of intra-Muslim internationalisation, while Kwok et al. (2020) establish that religious similarity is an antecedent of trust among Muslim decision-makers in post-acquisition situations.

While religion has for decades been designated a ‘private matter’, the realisation has grown that value-free societies are a misnomer (Kamla, 2015) and that Islamic identity impacts Muslims’ attitudes and behaviours (Eid & El-Gohary, 2015). In addition, the current state of knowledge provides only limited evidence on how Muslims make linkages between their faith and business transactions (Davis & Robinson, 2006; Richardson, 2014; Kwok et al., 2020) and more empirical work has gone into Western religions (Cohen et al., 2016) despite the widespread importance of religion in the East, including the Arab countries. For example, Elbanna, et al. (2020) argue that the religious connotation inherent in the term "Arab" is one of the main drivers of a regional identity, which in turn influences the culture and managerial practices of the region.

Although religion is less cited, it is a potential stimulus for the sense of distance (Ronen & Shenkar, 2013). It is also a major source of conflict among similar cultural groups and may increase the cost of business transactions and risks, or reduce the trading intensity between countries (Tlaiss, 2015). The Islamic religion is one of the fastest-growing religions in the world, at present representing almost one-ﬁfth of the world’s population, with an estimated 1.78 billion followers (DinarStandard, 2020). Muslim countries are found in several zones, including the Arab region, Iran, Turkey, the Malay region, sub-Saharan Africa, and the Indian subcontinent. Although subtle differences differentiate these zones, they are all bound by concepts of ‘Unity’, ‘Brotherhood’, or ‘Muslim Commonwealth’, along with the ubiquitous rites of the religion such as the practice of the five daily prayers uniformly directed towards the Great Mosque of Mecca; ritual fasting during the holy month; pilgrimage; and halal food requirements. The Islamic religion has been reported as the unquestionable commonality between Muslim countries and is a major force in shaping the behaviour of people (Metcalfe, 2008; Metcalfe & Mimouni, 2011). The advocates of this stream of research build on the significance of the concept of Unity – an established theme of the Islamic religion which signifies the bonds that connect the Muslim peoples. As Nasr (2013, p. 39) claims, “*there may be different colours and zones where Muslims resides [sic], but there will be no variations”* (Nasr, 2013, p. 39).

Mindful of these considerations, this exploratory study seeks to contribute to knowledge in the international business arena by examining how Islamic religion influences SMEs internationalisation, particularly the three internationalisation dimensions of time/speed to become internationalised, international market presence and entry mode (Dimitratos et al., 2016). More specifically, our exploratory study makes the following contributions. First, it contributes to the scant literature that examines the impact of Islamic religion on SMEs internationalisation (Richardson, 2014; Kwok et al., 2020). This observation is further highlighted by the most recent review of management research in the Arab world (Elbanna et al., 2020). Second, the study contributes to theory building by proposing three dimensions of Islamic entrepreneurship, viz. orientation towards regional rather than international networking, risk aversion and proactiveness. In developing the knowledge contribution, we provide a contextualised explanation for the view that SMEs initiate internationalisation in culturally proximate markets (Zaheer et al., 2012; Yan et al., 2020). Paradoxes do occur and we believe that this assumption has been made explicit; thus possible theoretical extensions may be worth investigating. For example, the emergence of ‘early internationals’ and ‘born global’ SMEs has eroded the accuracy of this view (Verbeke, 2020) and opponents to this line of research criticize its path dependency perspective (Magnani et al., 2018; Zuchella, 2021). Third, the study responds to calls to contextualise the social and cultural arrangements of non-Western societies (Teagarden et al., 2018; Elbanna et al., 2020), since most of the existing literature on Islamic business is normative and lacking in empirical illustration (Possumah et al., 2013; Tlaiss, 2015; Richardson & Ariffin, 2019). Since several nations in the Islamic world are beginning to play a prominent role in international business (Teagarden et al., 2018), it is imperative to better understand the key characteristics that define Muslim countries.

The remainder of the article is organised as follows. First comes an elaboration on the theoretical underpinnings, followed by a description of the research methodology. Next, the empirical findings are presented and in turn a final section which discusses theoretical and managerial implications as well as avenues for future research.

1. **Theoretical background**

*2.1 Internationalisation and distance*

The construct of distance has multiple dimensions, including geographic, cultural, institutional, economic, and linguistic (Dow & Karunarantna, 2006) and there is evidence that it impacts on internationalisation with respect to the choice of location and entry mode (Zaheer et al., 2012; Beugelsdijk et al., 2017). It is also acknowledged that SMEs account for the variable of distance in the context of foreign market choice (Safari and Chetty, 2019); when home and host markets are widely distant, SMEs lack knowledge of their focal markets (Yan et al., 2020).

The culture of a nation includes its language, education, ethnic background and religion (Hofstede, 2001). Cultural distance remains the most commonly cited type of distance by writers on internationalisation (Jones et al., 2011; Jain et al., 2019). One possible explanation is the centrality of cultural values in affecting the behaviour of both individuals and organisations (Hofstede, 2001). The incremental approach applies the theoretical underpinnings of cultural distance to explain the gradient of internationalisation (Vahlne & Johanson, 2017), but opponents criticise this perspective for its determinism and path dependency (Coviello et al., 2017; Verbeke, 2020). The emergence of ‘early internationals’, ‘born regionals’ and ‘born global’ SMEs has eroded the accuracy of this view. Although the born global model has been dominant in the international business and entrepreneurship literature since Oviatt and McDougall’s (1994) seminal paper, scholars have established that early internationalisation should be described as ‘born regional’ rather than ‘born global’ because small firms tend to internationalise to geographically close countries in their regional bloc. While regionalisation has been documented as a significant theme for future internationalisation research, there is little consensus on its antecedents. Few studies, if any, have studied the born regional phenomenon in developing countries (Love et al., 2016). Advocates of the regionalisation stream signify the influence of culture and geographic proximity on an SME’s choice of host country. Whereas some studies are confident that entering culturally close countries facilitates internationalisation, others report insignificant or mixed findings (Bauer et al., 2016; Assadinia et al., 2019). Countries that are culturally proximate are usually a preferred choice because of the decision-makers’ understanding of the local psyche. However, anomalies and paradoxes do occur (Magnani et al., 2018).

Because culture and religion are closely related, religion has the potential to influence SME’s internationalisation and common religious connotations may reduce perceptions of distance (Rahnema, 2007; Richardson, 2014; Kwok et al., 2020). For example, Omri and Becuwe (2014) establish the significance of Islamic ethics on international ventures. Richardson and Rammal (2018) claim that religious observance facilitates international negotiations. Kwok et al. (2020) indicates the significance of religious similarity as a trust antecedent in international acquisitions. Moreover, Richardson and Ariffin (2019) report that higher levels of religiosity do not lead to any particular preference for other Muslim-majority markets. Despite the validity of these arguments, few empirical studies, particularly in the internationalisation literature, include religion in the examination of distance in general (see the reviews of Jones et al., 2011; Dikova and Brouthers, 2016; Beugelsdijk et al., 2017; Elbanna et al. 2020; Zuchella, 2021).

*2.2 Islamic culture, entrepreneurship and networks*

Entrepreneurial opportunities are created through social construction and the characteristics of the discoverer that affect their enactment (Alvarez et al., 2013). Entrepreneurial actions are also affected by the alignment between the core values and religious beliefs of the entrepreneur (Yaacob & Azmi, 2012). Therefore, taking a religious perspective of entrepreneurship requires an understanding of the way in which the creation and exploitation of entrepreneurial opportunities are affected by the perspectives of the Muslim belief system. For many people, religion is a source of morality and a guide to the right course of action, including action in the sphere of business and management (Kwok et al., 2020). In the words of Gomez-Mejia and Palich (1997, p. 317), “*next to language, religion is probably the most distinctive cultural feature*”.

Religion acts to synthesise for social systems and provides its adherents with a set of principles by which to live. A relevant aspect of a religion is the religiosity of its followers composed of their religious affiliation, activities and intensity of religious belief, which together reflect the followers’ commitment to the religion (Bjarnason, 2007). Religious people are not merely religiously affiliated but exhibit high levels of belief, where religion strongly conditions the values. In addition, religious decision-makers draw comfort from the beliefs, values and principles of the religion that they adopt, and their friends tend to be their co-ethnics (Adida et al., 2015). Consequently, value homophily develops, to influence their orientation in international transactions and negotiations (Richardson, 2014; Kwok et al., 2020). Religious individuals tend to trust more those within their groups and are risk averse (Hilary & Hui, 2009). Since the Prophet Muhammad (PBUH) and his wife were traders, entrepreneurship is a cherished activity and is regarded as an ideological choice and an act of social morality (Hosgör, 2011). From an individual decision-maker’s perspective, these values include a disposition to take risks, to work and to network.

Hindle (2010) observes that values profoundly inﬂuence entrepreneurial initiatives and the way in which they should be implemented. Although religion influences values along multiple pathways, few researchers have examined the effect of the Islamic religion in enabling or constraining entrepreneurial ventures. Among these, Essers and Benschop (2009) reveal that the Islamic religion served as an enabler in progressing entrepreneurial set-ups. This finding resonates with recent studies in Pakistan (Roomi, 2013), Lebanon (Tlaiss & Kauser, 2011) and the United Arab Emirates (Madichie & Gallant, 2012), which argue that the normative teachings of the Islamic religion encourage entrepreneurial activities in Arab contexts.

Muslims believe in the universalism of Islamic teachings. This belief allows Islam to extend its existence as a doctrine to being a religion of compliance, adherence and practice (Weir, 2010). Work in Islam is seen as a virtue (Sidek et al., 2016) and Muslims are expected to fulfil the requirements of the five pillars of the Islamic religion and are committed to serve their societies and enhance the performance of their organizations (Metcalfe & Mimouni, 2011). A fundamental underpinning is the integration of work and everyday life: work activities are considered acts of worship in themselves that contribute to the betterment of society and work is highly respected and rewarded (Possumah et al., 2013). As noted by Scott (2013), small businesses are seen as embodying hard work. Proactiveness is strongly encouraged, idleness demonstrates a lack of faith, and the Qu’ran (Islam’s Holy Book) ‘calls’ upon Muslims to engage with work (Alam & Talib, 2016). In obeying the ‘religious calling to work’, Muslims preserve their identity and make a positive contribution in society (Schabram & Maitlis, 2017). For example, the recent study by Sidek et al. (2016) found that Muslims in the Malay region were guided by the religion’s value of work as a form of worship.

The principles of the Islamic religion require Muslims to avoid extremes and encourage balanced behaviours and acts (Beekun, 2012). The balanced view extends to Muslims’ investments: it commends “*Those who, when they spend, are not extravagant and not niggardly, but hold a just balance between these two extremes” (Qur’an 25:67).* Hence, the religion’s stance towards risk aversion forbids investment in risky assets and the earning of interest on idle, non-invested funds (Abdelzaher et al., 2013). For example, Bartke and Schwarze (2008) find that Muslims in Germany display higher risk aversion than Protestants. Similarly, Adhikari and Agrawal’s paper (2016) finds that the CEOs of banks headquartered in Muslim countries exhibit low tail risk.

The consensus in the internationalisation literature is that SMEs overcome their resource limitations and the liabilities of newness and smallness by drawing on their network connections and that ‘insidership’ in networks is fundamental (Musteen et al., 2010). In this regard, religion can influence networks in the following way: the affiliation with a particular religious group will create correlate the affiliated contacts through kinship and acquaintances who share the same faith and inferences. This argument builds on the homophily principle that similar people are more likely to engage with each other than with dissimilar people (McPherson et al., 2001). The power of religion to induce a baseline homophily is documented (cf. McPherson et al., 2001). For instance, network connections between Muslims are reinforced by faith that acts as a primary source of shared understandings. In addition, religious spirituality strengthens network ties through increased emotional intimacy (Dodd & Seaman, 1998). Similarly, it is argued that networking behaviour between Muslims is influenced by the religion’s emphasis on trust and solidarity (Fadel, 2020). Empirically, Kurt’s paper (2019) establishes the significance of Islam in strengthening weak ties to enable Turkish SMEs to benefit from resources in the context of their internationalisation.

**3.** **Methodology**

*3.1 Research context and strategy*

The GCC States were identified as a suitable context because countries in this cluster score high on the cohesive measure of Ronen and Shenkar’s (2013) clustering index, thanks to their religious, linguistic and cultural similarity. The countries in this region are Bahrain, KSA, Kuwait, Oman, Qatar and the UAE.

The study captures a ‘phenomenon’ at a nascent, explorative stage of theorising (Doh, 2015). Given the exploratory nature of the study, a qualitative approach through embedded multiple case-study research (Yin, 2011) was deemed suitable, for the following reasons. First, this approach serves the exploratory nature of the study, given the lacuna in research that examines the influence of religion on SMEs’ internationalisation. Second, the qualitative approach facilitates the collection of rich data from multiple sources of evidence and participants, thus mitigating the risk of bias, data triangulation and reconciliation of views (Eisenhardt, 1989). Third, this approach facilitates an in-depth exploration and allows for a contextualised explanation (Welch et al., 2011).

The empirical evidence is drawn from 44 semi-structured interviews with top- and middle-level managers in 10 GCC SMEs, along with six interviews with government officials in the SMEs support agencies in Bahrain, Qatar and the UAE. All the participants were Muslims who were informed of and involved in the planning and executing of SMEs’ internationalisation.

The cases were selected on the basis of criterion theoretical sampling (Corbin & Strauss, 1990), following Eisenhardt’s (1989) recommendation that choosing cases randomly in qualitative research is neither necessary nor preferable. To ensure the selection of a suitable sample, the research question was discussed with the SME support agency in each Gulf country to seek recommendations. With their advice, the chosen sample provided a set of SMEs that met certain criteria in terms of firm size (between 10 and 250 employees) and turnover (not larger than EUR 50 million). Further, each selected SME had to derive at least 10% of its total sales from international business. The cases were further selected to provide ‘culturally neutral’ products. This would allow an examination of internationalisation that set cultural influences aside. Mindful of the calls to explore beyond technology-based ventures (Jones et al., 2011), we asked each SME support agency to exclude technology-based SMEs. The deliberate selection of this research context and the theoretical sampling criterion ensured that the home market would be benign. The selection also limited sectoral factors by looking only at manufacturing SMEs.

The interviews were conducted at the end of 2017 and early 2018. The chosen SMEs were established as ones which had been internationalising for a few years; hence, the narratives were secured from experienced and well-versed internationalising entities. The interview protocol was prepared in both the Arabic and English languages, and the interviews were conducted in each respondent’s preferred language to facilitate the most accurate exchange. The first author, who conducted all the interviews, was educated in and is fluent in both languages. This protocol was revised and shared with three executives in the relevant support agencies of the UAE and Qatar and with two academics, to ensure that the questions were clearly understood by the participants.

The interview protocol requested participants to (1) provide a brief overview about their offerings in the international market, their chosen entry modes and timings for entrance abroad; (2) identify the first international market and the reasons for its selection; (3) list other foreign markets and elaborate on the reasons for their choice when they had made it; (4) mention the major challenges they were encountering in the host markets; (5) discuss whether common religious affiliation with other Muslim countries would trigger an entry to these markets. The participants were encouraged to speak freely about two topics: reasons for choosing a particular host country and their views about the common religion in enhancing or constraining transactions with particular countries.

We followed Yin’s (2011) recommendation and obtained evidence from multiple sources, including interviews, an examination of the SMEs’ marketing documents that had been used in international exhibitions, and observations in the offices of the SMEs under review. Artefacts in each SME’s office premises captured the intangible elements of the organisation’s culture and management team’s orientations. This additional evidence was analysed for content and context and provided useful insights on the social, professional and religious orientations of the participants. Additionally, during the interview visits the study collected evidence from descriptive observation (Werner & Schoepfle, 1987). This observation was particularly useful in establishing a rapport with the participants.

We collated the data from the face-to-face, semi-structured interviews which lasted, on average, about 75 minutes. The interviews were recorded and transcribed verbatim. Data were analysed at different levels of abstraction using the NVivo 10 software. The initial thematic analysis was followed by comparative analysis to determine similarities, while also showcasing differences to explain the disparity among the cases. The thematic analysis was guided by the extant literature but was also open to new and emergent findings. Every interview transcript was coded to identify first, second and aggregate codes (Gioia et al., 2013) in order to match the data with theoretical perspectives (Yin, 2011). During the interviews, additional insights were recorded as detailed notes on the day of the interview and were included in the interview transcript. Table 1 presents the contextual description of the sampled cases and identifies the number of participants from each case. In each case, we interviewed four or five participants who typically held the following functional positions: chief executive officer, chief financial officer, managing director and director of international operations/exporting. [[1]](#footnote-1)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Case One | Case Two | Case Three | Case Four | Case Five | Case Six | Case Seven | Case Eight | Case Nine | Case Ten |
| Date of establishment | 2005 | 2002 | 2004 | 2014 | 2012 | 2008 | 1995 | 2000 | 2005 | 2006 |
| Activity | Cementitious blocks | Jams and confectionery | Middle Eastern food chain | Chemical PET moulds | Wood furniture & accessories | Bespoke candles with mini-cactus plants | Artificial silk flowers | Rubber roller blinds | Medical supplies | Fine jewellery |
| No. of employees | 97 | 106 | 125 | 75 | 138 | 60 | 138 | 185 | 205 | 85 |
| Home market | UAE | UAE | UAE | Qatar | Qatar | Kuwait | KSA | KSA | Oman | Bahrain |
| International sales to total sales | 30% | 35% | 50% | 40% | 25% | 60% | 50% | 35% | 40% | 70% |
| Start of international activity | 2008 | 2004 | 2010 | 2016 | 2013 | 2012 | 1999 | 2004 | 2010 | 2008 |
| Entry mode | Exporting | Exporting + joint venture | Joint venture | Direct exporting | Indirect exporting | Online platform + direct exporting | Direct exporting | Indirect exporting | Indirect exporting | Joint venture |
| Number of participants (top- and middle-level managers) | 4 | 4 | 5 | 4 | 5 | 4 | 5 | 4 | 4 | 5 |

Table 1: Contextual description of sampled cases

1. **Findings**

The participants identified themselves as Muslims fulfilling their religious duties in terms of the creed, prayers, fasting and almsgiving. They frequently referred to verses from the Holy Book to support their arguments. The frequent reference established their knowledge about their religion. The participants maintained that Muslims are encouraged to visit the Holy City of Mecca in Saudi Arabia, at least once as part of their religious faith and references were also made to daily and congregational Friday prayers. We observed that the sampled SMEs’ offices contained Qur’anic calligraphy and pictures of the holy sites. The participants had a prayer application on their phones to alert them to the timings of the daily prayers. They also used Islamic expressions such as insha’Allah (God willing), alhamdulillah (all praise goes to God) and Silaturrahim (bond of brotherhood) in their conversations to show their appreciation of God’s beautiful creations and their quest for the “pleasure of God”. The male participants carried prayer beads and the three female participants in our study were wearing loose conservative clothes and had veiled their hair. These observations provided the contextual background and helped us understand the importance of religious beliefs in business transactions. In the next sections, we illustrate how internationalisation was influenced by the fundamentals of the Islamic religion. Figure 1 captures the data structure of the study.

Figure 1: Data structure

First-order concepts Second-order themes Aggregate dimensions

The ‘Islamic region’ does not encompass all Muslim countries and different Muslim clusters exist around the globe, in fact.

People are inclined to choose ethnically familiar contexts. Allegiance to the same religion does not reduce perceptions of cultural differences.

Religious distance matters

Proactiveness

Early internationalisation

Early internationalisation motivated by Islamic principles which consider hard work an act of worship should be preferred

Low motivation is regarded as a sign of lack of faith and of unbelief.

International market entry in less than six years is best. Early internationalisation is an ideological choice.

Avoiding debt-based finance. Considering Islamic banking

banking principles

Non-equity modes and opting-out from debt finance should be preferred. Entry mode decision-making is influenced by Islamic banking fundamentals that are equity-based rather than interest- or debt-based.

Considering religiosity

Economic and social interactions are fundamental aspects of religious fulfilment.

Resource commitment and risk taking are influenced by a faith-based system.

Low risk proclivity

SMEs select low commitment entry modes and seldom choose an advanced entry mode that entails high resource commitment.

Religious principles that condemn excessive uncertainty and risk by Muslims should be obeyed.

Regional network orientation

People are inclined to interact with familiar social encounters in their region.

Networking in contexts which offer/facilitate similar social embeddedness should be encouraged. enencouragedffective.

*4.1 SMEs’ international market presence*

The participants reflected on their religious identity in explaining how religious similarity served as an indication of shared values. When asked for the reason, they replied:

*“The salam [the greeting of peace as practised in most Muslim societies] was an ice-breaker”* (Case Five – Finance Director)

*“We felt we are in a family; we share the value of brotherhood – so we can definitely relate to each other*” (Case Seven – Chief Operating Officer)

The participants from Cases Two, Seven and Ten identified that their admin systems generated alerts about religious and social celebrations in the various Muslim markets with which they transact. The greetings that they sent involved personal phone calls to senior partners and attending social gatherings to bond and foster relationships. The General Manager in Case Ten, for example, manufactured small silver pendants to celebrate the two main Muslim festivals. He observed, *“You may think it is a waste of money and [an] unjustified decision from a cost perspective*, *but these gestures are intended to reinforce business relations and reflect mutual interests”.* The pendants were made in shapes or featured calligraphic patterns that symbolised the Muslim festival being celebrated.

The participants explained that they are often the leader (Emmam) in prayers. The practice facilitates initial introductions and encourages network connections since interactions with familiar social counterparts facilitated the exchange of ﬁne-grained and tacit information. These practices reflect the power of religion as a catalyst to induce baseline homophily among Muslims (cf. McPherson et al., 2001; Kurt, 2019). Religiosity was also recognised as a tool to enhance decision-makers’ sense of social identity in the target markets and one which led to positive rather than negative emotions. Additionally, these religious attributes were used to select network ties and derive a sense of unity from religious affiliation and practices.

SMEs internationalisation, in our sample, was targeted at host markets of low-medium psychic distance in the Gulf region, Africa (Egypt and Sudan), the Levant (Lebanon, Syria), Iraq and Turkey. The study does not report SMEs’ market entry to Muslim countries in other Islamic zones such as Malaysia, Indonesia, or Brunei in the Malay region; Senegal or Nigeria in the sub-Saharan African zone; Pakistan or Bangladesh in the Indian subcontinent; Kazakhstan in Eastern Europe; or the Arab Francophone countries of Tunisia, Morocco, Algeria, and Libya (Table 2). It is worth noting that the embedded approach mitigated respondents’ recall bias regarding dates and chosen markets.

The findings reflect the fact that despite the commonalities among Muslims regarding similar dietary requirements, prayers and other religious practices, participants conceived that the identification of an ‘Islamic region’ does not apply to all the Muslim countries around the globe. Rather, the participants opted to strengthen their network positions by forming relatable and similar networks (Musteen et al., 2010; Ronen & Shenkar, 2013). The participants recognised the diversity within Islamic zones when they explained that common allegiance to the same religion does not reduce perceptions of cultural differences (Prashantham & Birkinshaw, 2015). They explained, for example, that Arab Francophone Muslim countries were examples of multiplicity:

*“They are Muslim countries but not Arabs; they are more European than Muslims. We don’t understand their dialectics”* (Case Six – General Manager)

“*They are bonded with the French more than us, for sure. Tunisia, for example, has been [a] very liberal society for ages, they are basically not like [the] Muslims of Egypt or Syria, if you understand what I mean”* (Case Two – Director of International Operations)

The participants also recognised that although countries in other Islamic zones, such as Iran and Brunei, abide by the same religion, differences in linguistic, political, and social orientation does little to render them less risky as choices.

“*Diversity is diversity. If two countries are different in every aspect and bound by religion, it may help in a social cause, but not an economic transaction – no way! Are Iran and Egypt or Brunei and Libya the same?!”* (Case Three – Managing Partner)

In addition, participants explained the inherent risks in developing trust and acquaintances with Muslim networks in other Islamic zones, due to differences in ideology, such as adherence to a different school of jurisprudence.

“*Differences in orientation do exist in every religion. For example, the Maliki school is widely acknowledged in Egypt, Syria, Lebanon, Jordan, while the Hanafi [is] in Western Asia and the Shafi`i in Southeast Asia. It is all about how strict you could be and the Maliki is the most similar to us*” (Case Three – Exporting Director)

Table 2: Host market, year and entry mode choice of sampled cases

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Case (home market) | Country | Year | Entry Mode | Psychic Distance |
| Case One (UAE) | KSA | 2008 | Exporting | Low |
| Egypt | 2009 | Exporting | Low |
| Qatar | 2010 | Exporting | Low |
| Kuwait | 2010 | Exporting | Low |
| Syria | 2013 | Exporting | Low |
| Jordan | 2014 | Exporting | Low |
| Turkey | 2015 | JV | Medium |
| Case Two (UAE) | Oman | 2003 | Exporting | Low |
| Qatar | 2004 | Exporting | Low |
| Sudan | 2005 | Exporting | Low |
| Iraq | 2006 | Exporting | Low |
| Egypt | 2007 | Exporting then JV | Low |
| Case Three (UAE) | Qatar | 2011 | JVF | Low |
| Kuwait | 2011 | JVF | Low |
| Lebanon | 2012 | JVF | Low |
| Jordan | 2014 | JVF | Low |
| Turkey | 2016 | JVF | Medium |
| Case Four (Qatar) | UAE | 2014 | Exporting | Low |
| KSA | 2014 | Exporting | Low |
| Oman | 2015 | Exporting | Low |
| Case Five (Qatar) | UAE | 2013 | Exporting | Low |
| Kuwait | 2013 | Exporting | Low |
| KSA | 2014 | Exporting | Low |
| Oman | 2015 | Exporting | Low |
| Case Six (Kuwait) | KSA | 2012 | Exporting + Online platform | Low |
| Lebanon | 2013 | Exporting + Online platform | Low |
| Oman | 2013 | Exporting + Online platform | Low |
| Egypt | 2013 | Exporting + Online platform | Low |
| UAE | 2014 | Exporting + Online platform | Low |
| Case Seven (KSA) | UAE | 1999 | Exporting | Low |
| Kuwait | 2001 | Exporting | Low |
| Oman | 2002 | Exporting | Low |
| Libya | 2003 | Exporting | Low |
| Egypt | 2004 | Exporting | Low |
| Bahrain | 2006 | Exporting | Low |
| Turkey | 2007 | Exporting | Medium |
| Case Eight (KSA) | Oman | 2004 | Exporting | Low |
| Kuwait | 2005 | Exporting | Low |
| Egypt | 2006 | Exporting | Low |
| Bahrain | 2007 | Exporting | Low |
| Case Nine (Oman) | UAE | 2010 | Exporting | Low |
| Kuwait | 2011 | Exporting | Low |
| Bahrain | 2012 | Exporting | Low |
| Qatar | 2013 | Exporting | Low |
| KSA | 2013 | Exporting | Low |
| Case Ten (Oman) | KSA | 2008 | JVF | Low |
| UAE | 2009 | JVF | Low |
| Qatar | 2009 | JVF | Low |
| Kuwait | 2010 | JVF | Low |
| Oman | 2010 | JVF | Low |
| Egypt | 2010 | JVF | Low |
| Lebanon | 2012 | JVF | Low |
| Turkey | 2014 | JVF | Medium |

It is acknowledged that network ties are conduits through which SMEs secure information during the pursuit and exploitation of international opportunities. It is standard practice for SMEs to do this by developing network attachments with institutions, partners and customers in host markets (McPherson et al, 2001). In the context of this study, SMEs developed an international networking orientation that favoured contexts which offer similar social embeddedness (Vahlne & Johanson, 2017). Decision-makers opted for close networking arrangements (Stoian et al., 2017) and were most inclined to network with homogenous sociocultural encounters, because commonalities between Muslim countries in the same region facilitated interaction by providing shared, often tacit, understandings of context and expectations of behaviour. It appears then that international market selection was unsystematic and rather informal since it drew on ethnic ties and a tendency to develop network relationships through social events. For example, Case Two described its venture in Egypt as *“guided by a common connection – a business friend whom we trust”*. Further, the Case One participants stated that they were comfortable dealing with local distributors in KSA and Qatar because they were their ‘fellows’ and they felt at ease establishing alliances with partners from a similar social context.

The findings from our discussions therefore establish the significance of ‘religious distance’ in affecting SMEs’ market presence. Regional internationalisation (Dimitratos et al., 2016) was a favoured choice, despite common religious connotations with host markets in other Islamic zones that could have triggered internationalisation. Contrariwise, common religious connotations encouraged networking orientation among SMEs that favoured interactions that resembled familiar social encounters in the regional domicile even if they did not facilitate uncertainty reduction in distant zones. This finding contradicts the emerging dialogue which signifies the influence of religion in minimising distance and in allowing intra-Muslim internationalisation, and concurs with view that social interactions and network development occur within homogenous networks (Musteen et al., 2010). The evidence confirms that Muslims in psychically distant zones were categorised as members of an ‘out-group’ rather than an ‘in-group’ (Schweizer, 2013). With this in mind, sharing collective views of the ‘Oneness of God’ did not magnify the concept of unity (striving for a global Muslim community) in ways that might have extended intra-Muslim internationalisation (Richardson, 2014).

For example, SMEs avoided certain Muslim countries because the national context of these countries was so diverse from their own. The study captures the phenomenon of born regional Muslim internationalisation where an SME’s international networking orientation was triggered by the cognitive embeddedness between Muslims in the same region. According to the networking view, internationalisation is a matter of overcoming the liability of being an outsider albeit from a related network (Vahlne and Johanson, 2017). It may be that SMEs have developed a ‘regional networking orientation’; therefore, the study posits the following:

Proposition *1: In terms of international market presence, international networking orientation is triggered by common religious affiliation between Muslim countries in psychically proximate Islamic zones; hence, intra-Muslim internationalisation develops among Muslim countries in the same regional domicile.*

* 1. *Entry mode choice*

The analysis shows that the sampled SMEs selected low commitment entry modes such as exporting and joint ventures (see Table 2 for details). SMEs seldom chose an advanced entry mode that entails the commitment of heavy resources. Risk proclivity is an important entrepreneurial attribute that may affect the choice of internationalisation mode (Dimitratos, et al, 2016; Buckley et al., 2020). Muslims’ weak risk proclivity prohibited SMEs from committing heavy resources to advanced modes. The participants showed that they would comply with religious principles that condemn excessive risk, knowing that they confirm their belief that economic and social interactions are fundamental aspects of religious fulfilment (Al-Faruqi, 1992). All human affairs in the Islamic religion can classified into one of five categories: fard (mandatory), mustahib (encouraged), mubah (neutral), mukrooh (discouraged) and haram (prohibited) (Metcalfe & Mimouni 2011). Encountering excessive risks falls into the fourth and fifth categories and hence is to be avoided. The participants stated:

“*Our religion prohibits exploitative gains and gambling (a form of risk-taking). When you do not comply with these values, you may earn more, but only in the short term. Eventually, God will surely diminish other benefits that should have come your way, because you disobeyed Him in the first place*”(Case Four – General Manager)

“*If I am a manager and start to take excessive risks, I will be labelled as irrational and also as defiant of my religion”* (Case Nine – Chief Financial Officer)

The study establishes that religious beliefs lowered SMEs’ propensity to engage in hazardous projects and detects a ‘stick to your knitting’ type of thinking. The history of each case establishes that decision-makers replicated the first market entry mode choice when they sought subsequent host markets. To clarify this point, Table 2 lists all the SMEs’ host markets in chronological order. For instance, Case One’s first international market was KSA, followed by Qatar, Egypt, Kuwait, Syria, Jordan and finally Turkey through the same entry mode: exporting. When asked to explain the reason for replicating entry mode choices, respondents’ statements revealed a state of inertia (Romanelli & Tushman, 1986) where decision-makers were myopic and steered towards *“tested means that have proven successful before”* (Case Two – Financial Controller).

The participants identified that deciding on resource commitment and risks is influenced by the faith-based system which derives its principles from the Islamic rules that require Muslims to think about their destiny after death (Al Hisab) on the Day of Judgement (Akbar, 1993).

*“God will reward those who are compliant; we were [compliant] the first time; we have done it [exporting] the right way and we were successful. Certainly, we will follow the same way each and every time until we learn a better way of doing things… but the new way must always conform to our norms and beliefs”* (Case Six – General Manager)

*“It’s a successful model: it allows us to achieve our objective to be successful abroad in the least risky [way], moderation in everything is a blessing”* (Case One – Managing Director)

The decision to opt out from debt finance is influenced by Islamic banking fundamentals that are equity‐based rather than interest- or debt‐based (Metcalfe & Mimouni 2011) and enabled decision-makers to refrain from debt and its associated risks. One participant explained that:

*“Borrowing is makrouh [un-desirable]. If I can do business without ribah [paying interest], why would I? It even makes sense from a financial perspective”* (Case Seven – Chief Executive Officer)

In the study’s context, familiarity with the host market did not extenuate an SME’s liability of being foreign or trigger increased levels of commitment in the host markets. Contrarily, SMEs selected non-equity modes despite the small distance between home and host countries to comply with those religious principles that condemn excessive uncertainty by Muslims.

This discussion captures a balanced orientation towards earning the material rewards of the growing SMEs and the spiritual desire to refrain from excessive risk and shows that decision-makers in the sampled SMEs internalised Islamic work ethics that discourage excessive risk and returns. The preceding arguments suggest:

Proposition *2: In terms of entry mode selection, the Islamic religion’s risk-limiting rules trigger SMEs internationalising from Muslim countries to select a low commitment entry mode.*

* 1. *Internationalisation speed/time to internationalisation*

The empirical evidence reflects an early internationalisation whereby all the sampled cases internationalised within five to six years of their establishment (Table 1). Cases Two, Six and Ten internationalised within one or two years of establishment. Muslims are not expected to work to only a minimum standard; rather, they are required to seek excellence and to engage in value-creating activities to confirm their religiosity (Possumah et al., 2013). Idleness and dearth of motivation are regarded as manifestations of a lack of faith because delaying benefits to society does no good. Therefore, early internationalisation was motivated by Islamic principles, which make work important, to the extent that it is considered an act of worship that accrues credit blessings on the Day of Judgement. The participants said:

*“I think every one of us is accountable to God in a way, we have to publicise Muslim success stories. In my view, that’s the only way to counter islamophobia and regain [the] respect of the world. You cannot succeed if you are confined to your local market. Exporting is a sign of success*” (Case Four – International Sales Manager)

*“We conquered the world ages ago, not through war. We need to establish a footprint as Muslim producers, Muslim traders, Muslim scientists, Muslim innovators, etc. If we do that, I guarantee you that we will have a chance again. [The] Qu’ran tells us how we should live and work”* (Case Eight – Finance Director)

Early internationalisation enabled participants to maximise utility through religious attainment that was not only related to financial wealth but also to rewards in the afterlife, and the honouring of social imperatives (Hosgör, 2011). Further, participants identified that proactiveness was triggered by internationalising Islamic religion’s precept that ‘hard work’ is a virtue. Exporting Director (Case Three) asserted: *“In our faith we are rewarded by God if we are proactive”.*

The narratives also capture the efforts made to restore the Islamic empire and the glory of the Muslim Ummah/commonwealth nation (Rahnema, 2007). In many verses of the Qur'an, Muslims are specifically instructed to engage in economic activities that strengthen ties between humankind. Attending to this task is one way of fulfilling a religious principle and a proactive behaviour that should be rewarded (Lin, 2010). The participants referred to the unity of Muslims, Muslims’ collective success and endeavours to proactively tap opportunities to regain prominence in the global context, a theme that was reflected by the General Manager in Case Four – who stated, “*It is not utopic (= ‘utopian’) and it will happen one day”*, while the Exporting Director of Case One said: *“Muslims are not equally treated on Judgement Day: those who excel and those who work and try hard are at a higher rank than those who chill out”*.

*“The company’s growth means value and, if you grow, you will be part of the global Ummah (nation) and part of the successes. Growth equates to aspirations and success. Aspirations and success are cherished values and mustahib [encouraged]”.* (Case Five- Managing Director)

The participants referred to the involvement of the Prophet Muhammad (PBUH) in trade as a role model, together with his first wife, Khadījah, who was a trader and provided strong support to Prophet Muhammad (PBUH) at the beginning of his prophethood.

*“Certainly, it is amazing how you could link your current work to what you could achieve in your second life. By expanding and growing our business, we are truly global, and we are doing what we are supposed to do to fulfil our duties in our first life. As a Muslim, you must constantly look for opportunities and ACT on them.* (Case Eight- Managing Partner)

This theme highlights the role of the individual’s religious beliefs as a core micro-foundation of the decision-making on internationalisation when it comes to matters of the timing/speed of the venture. Muslims’ endeavours to be proactive affected SMEs’ alertness to international opportunities. Early internationalisation was a highly ideological choice (Benjamin et al., 2016) and perceived as ‘hard work’ and eventually a virtue (Tlaiss, 2015). We therefore advance the following proposition:

Proposition *3: In terms of internationalisation speed,* *the Islamic religion’s stance towards proactiveness and hard work triggers early internationalisation by SMEs*.

1. **Conclusion**

This study addresses a gap in the international business literature by examining the role of religion in SMEs’ internationalisation rather than the role of culture, which has hitherto been the focus of mainstream studies (see Richardson, 2014; Kwok et al., 2020; Younis and Elbanna, 2022). It provides a new, non-clichéd approach to capturing the international market presence, entry mode and speed of SMEs’ internationalising in the Muslim world and a nuanced understanding of the way in which Muslims make linkages between their religiosity and international business transactions.

Evidence from this study does not support themes that represent the role of common religious affiliation among Muslims in defining the internationalisation routes of SMEs beyond the regional domicile. The results contradict the claim that religion minimises distance and triggers intra-Muslim internationalisation (Richardson, 2014; Richardson & Ariffin, 2019). Rather, they highlight the effect of religion in supporting a trend to act regionally (Dimitratos et al., 2016) and early through entry modes that require a light commitment. Although religion impacts on SMEs’ internationalisation, its effect is subject to ideological orientations. On reflection, the Islamic religion and other monotheistic religions may share similar values, particularly with regard to followers’ attitude to hard work, commitment, the exploration of opportunities and proactiveness. This seems to offer a refined understanding of how common values between monotheistic religions could duplicate the effects of one dimension of culture, religion, on internationalisation.

Moreover, our findings complement the available normative research that has focused on Islamic values and ethical guidelines. To our surprise, whereas this study aimed at identifying born global Muslim SMEs, it finds instead evidence of born regionals, since the Islamic emphasis on, and manifestation of, unity was not reported as significant in either its form or degree. The key point to note here is that, despite talk of religious convergence and what it may entail for international market entry, the internationalisation that took place was to religiously similar proximate markets.

To conclude the findings of our study, Table 3 summarises the differences between incremental process, born global and regional Muslim internationalisation. Our analysis establishes that the ‘born regional Muslim internationalisation’ combines dimensions of incremental and born global approaches and identifies that, although the Islamic religion’s attitude to hard work and proactiveness encouraged early internationalisation, it weakened SMEs’ propensity to take risks and motivated SMEs to adopt low commitment entry modes. Further, the findings establish a ‘regional’ rather than an ‘international’ networking orientation.

Table 3: Comparison between internationalisation models

|  |  |  |  |
| --- | --- | --- | --- |
| Internationalisation Dimension | Process/Uppsala Model | Born Global | Born Regional Muslim Internationalisation |
| International market presence | Gradual. Psychic and cultural distances matter | Cultural distance is irrelevant | Religious distance matters. International market presence in the regional domicile |
| Entry mode choice | Gradual. Starts with low commitment entry modes and increases as a result of international experience and learning | To protect knowledge resources, high commitment entry modes from inception | Low commitment entry mode. Cautious internationalisation |
| Speed/pace of internationalisation | Late-gradual internationalisation | Early accelerated internationalisation | Early internationalisation motivated by Islamic religious attitude to hard work as a virtue |

To policy makers and managers aiming to encourage intra-Muslim trade, this study also provides useful insights. First, international management teams should not identify business and religion as exclusive domains but strive to appreciate the potential of shared religious understanding in expanding their knowledge of host markets. They could also expand their potential to develop collaborative work arrangements with international partners in psychically distant Muslim host markets. Second, policy measures that strictly avoid universal support schemes should be developed for SMEs targeting host markets in distinct cultural clusters. Policy measures should embed incentives that reward the exploration of opportunities. These incentives should allow SMEs to develop asset-augmenting strategies in which they exchange their knowledge through networking and collaborative exchanges with overseas networks, particularly if they have a religious ideology in common. We have established that incentive measures should be implemented to encourage collaborative alliances that would counteract an SME disposition to internationalise only in familiar host markets.

The findings of this study need to be considered when we think about possible directions for future research. First, although the Islamic religion functioned in the cases that we reported to predict regional internationalisation and determine some dimensions of Muslim entrepreneurship, it may be worth replicating the same reasoning to identify whether similar values between religions are likely to influence the routes, attitudes to risk, time and speed of internationalisation. Second, given the qualitative nature of this study, the current insights could be empirically tested in a wider quantitative-based study. Third, we see merit in conducting comparative studies that elucidate differences in internationalisation between SMEs in different Islamic zones. For example, a comparative study could explore and compare the internationalising experiences of Muslim SMEs to Muslim and non-Muslim countries. Fourth, limited evidence has as yet been collected on SMEs’ characteristics, strategies and performance. Hence, further case studies might illuminate their behaviours and possibly examine technology-based SMEs, which may exhibit other entrepreneurship characteristics than the ones proposed by the present study.

Fifth, one line of research that is worth investigating is to explore how SME internationalisation is influenced by networks developed with Muslim managers who share the same religious ideologies even when the target host market is in a different Islamic zone or is a non-Islamic host market. This argument has been advanced in the internationalisation context of Chinese SMEs (Lew et al., 2016) and could possibly extend beyond ethnic-based networks into those based on common religious ideologies. Sixth, we would invite future studies to develop scales to assess the degree of religiosity of participants and examine the effect of this attribute on their internationalisation decisions.

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1. A table showing the characteristics of the study’s participants is available from the first author upon request. [↑](#footnote-ref-1)