



**College of Graduate Studies**

**Master of Business Administration –MBA Program**

**The Reality of Corporate Governance at Family Businesses in  
Palestine: A Study of Industrial Companies in Hebron  
Governorate**

واقع الحوكمة في الشركات العائلية في فلسطين: دراسة الشركات الصناعية في محافظة  
الخليل

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**This Thesis is Submitted in Partial Fulfillment of the Requirements for the Degree of  
Master of Business Administration, College of Graduate of Studies & Academic  
Research, Hebron University.**

**2024**

## Thesis Approval

إجازة الرسالة

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Hebron 2024

## Dedication

### **This thesis is dedicated to the following:**

To those who live within us, my lovely homeland Palestine, to our great people in Gaza Strip,  
To everyone who protects their homeland.

To my lovely parents, the source of my inspiration and confidence, the source of support in my life, and the motivation behind every step I take, My father, my soul mate, who stood with me in all stages of my education and pushed me strongly forward with all his gentle energies, and my mother who made me stand on this day through her constant encouragement.

To my wonderful and supportive sisters, Asalla, Raghad, Shahd., Saja and my lovely Sara,

To my one and only brother Adham, his wife Wessal, and his beautiful daughters Nai and Nada.

To my dear uncle, Professor. Nasser Jaradat and his family, who have always been a source of trust and inspiration.

To my kind uncle, Dr. Mohammad Farhat, who sends his energy and wonderful words into my soul.

To the place closest to my heart, the place where I feel most at home, Al-Ameer Company For Plastic Industries, and to all of my colleagues and friends in the company, who always encourage and believe in me.

I dedicate this study to my extended family, my friends all over, and to all the people whose soul touches mine and is a vital part of my life.

## Acknowledgements

**It is a pleasure to acknowledge everyone who participated in the completion of this thesis:**

First and foremost, I thank **God** for His consistent success in what is obvious and hidden.

I am grateful to my teacher over the years, as well as my amazing supervisor, **Dr. Adnan Qabaja**, for his ongoing support and for providing knowledge, science, and experience gained while conducting research in order to complete this thesis.

I am extremely grateful to my professors at Hebron University for their continuous support, particularly my amazing lecturer, **Dr. Muhammad Al-Jabbari**.

There are no words to express my gratitude to my colleagues and friends in the master's program for their constant moral support.

I am thankful of everyone who helped me through my education and during the completion of the thesis, by understanding me and bearing my stress.

## Abstract

This study aimed to search the reality of the governance of family businesses in Palestine with focusing on industrial companies in the Hebron Governorate. The researcher used a descriptive approach to conduct the study, and the study population consisted of all family businesses operating in the industrial sector in Hebron Governorate. Because there are no official statistics to fully determine industrial companies in the governorate, the researcher used purposive sampling in the study. The researcher adopted the references used to confirm that 100 questionnaires are adequate to reflect the study population in the lack of a clear community framework. The questionnaire was used as a tool when 100 questionnaires were distributed and 84 were received. The questionnaire was divided into two sections: the first, which included the variables demographic, that describe the sample, and the second, which included 59 items distributed across five areas: the rights and duties of owners, transparency, information disclosure and auditing, the board of directors and its responsibilities, executive management, and corporate governance commitment, the role of stakeholders and corporate social responsibility, Furthermore, the researcher used the interview to enrich the research and enhance its results, These interviews were conducted with five companies whom the researcher was able to reach them and who agreed to conduct the interview, and the basic question was asked: What is the reality of governance, and their opinions were recorded and analyzed.

The most important results of the study showed that the reality of governance of family businesses, according to the attitudes of respondents to the questionnaires, was high. The first regarding the rights and obligations of owners was the highest. The transparency, disclosure of information, and auditing, followed by the executive management, and then the commitment to social responsibility, and finally, the board of directors and its responsibilities,

and the increase in the degree of these principles were accompanied by differences in some of the answers of the decision-makers in the businesses that were interviewed, as well as the increase in the degree of these principles, reinforcing some points while weakening others. There was an emphasis on the fact that companies are aware of governance. However, its application is difficult because the owners believe their experience is necessary for the business to succeed. No one can manage the work better than them, and they are aware of all its challenges. Furthermore, the concentration of decisions in the hands of a certain set of owners means they have control over all aspects of the business and believe that delegating authority will lead them to lose control. In addition to emphasizing that the board of directors is ineffective and does not function properly, the researcher stated that the board is made up of members of the same family who seek to enhance, preserve, and keep up family values, which was confirmed by the interviews, an essential item that the interviews and questionnaires agreed on was the company's significant orientation toward social responsibility and the high of its commitment, regardless of its objective.

The most important recommendations recommended by the researcher were for chambers of commerce to create special departments for corporate governance and oblige companies to join them and to hold workshops aimed at company owners and employees to educate them about governance concepts and the impact of their application. Furthermore, the researcher suggested increasing the awareness of the Family Business Governance Code in Palestine and conducting additional research in this area , and the researcher recommends dividing each owner's share among generations, in order to allow to start his own business.

**Keywords:** Corporate Governance, Family businesses, Family businesses Governance , Industrial companies.

## واقع الحوكمة في الشركات العائلية في فلسطين: دراسة الشركات الصناعية في محافظة الخليل

### ملخص الدراسة

هدفت هذه الدراسة إلى البحث في واقع حوكمة الشركات العائلية في فلسطين وفي الشركات الصناعية في محافظة الخليل بالتحديد، واستخدمت الباحثة المنهج الوصفي التحليلي للبحث فيها، وتكون مجتمع الدراسة من جميع الشركات العائلية العاملة في القطاع الصناعي في محافظة الخليل، ولأنه لا يوجد إحصائيات رسمية وواضحة لتحديد كامل الشركات الصناعية في المحافظة قامت الباحثة باللجوء إلى العينة القصدية في البحث وتم اعتماد مراجع معتمدة تؤكد أن 100 استبانة كافية لكي تمثل مجتمع الدراسة في حال عدم وجود إطار مجتمع واضح، وتم استخدام الاستبانة كأداة وتوزيعها واسترداد 84 استبانة منها، وتكونت الاستبانة من قسمين، الأول قسم المتغيرات الديموغرافية الذي يصف العينة والثاني يتضمن 59 فقرة موزعة على خمسة مجالات وهي حقوق وواجبات الملاك، الشفافية والإفصاح عن المعلومات والتدقيق، ومجلس الإدارة ومسؤولياته، والإدارة التنفيذية، ومدى الالتزام بالمسؤولية الاجتماعية، بالإضافة إلى أن الباحثة قامت باستخدام المقابلة لتثري البحث وتعزز نتائجه، وتم إجراء هذه المقابلات مع خمسة شركات ممن استطاعت الباحثة الوصول إليهم وقبولهم لإجراء المقابلة، وتم طرح السؤال الاساسي حول ما هو واقع الحوكمة وتم تسجيل آرائهم وتحليلها.

أظهرت أهم نتائج الدراسة أن واقع حوكمة الشركات العائلية بحسب تصورات المستجيبين للاستبانات كانت مرتفعة، فكان المبدأ الأول الخاص بحقوق وواجبات الملاك هو الأعلى، ومن ثم مبدأ الشفافية والإفصاح عن المعلومات والتدقيق، يليه مبدأ الإدارة التنفيذية، ومن ثم مبدأ مدى الالتزام بالمسؤولية الاجتماعية، ليكون المبدأ الأخير مجلس الإدارة وصلاحياته، وارتفاع درجة هذه المبادئ رافقه اختلاف في بعض

إجابات أصحاب القرار في الشركات التي تم مقابلتها لتعزز وتؤكد بعض النقاط، ولتضعف بعض النقاط من ناحية أخرى، فكان هناك تأكيد على أن الحوكمة معروفة للشركات ولكن تطبيقها صعب جداً لاعتقاد الملاك أن العمل حتى ينجح يحتاج خبرة المالك كونه أفضل من يدير العمل ويعلم بجميع عقباته وتحدياته، بالإضافة إلى أن تركيز القرارات في يد فئة معينة من الملاك يعني سيطرتهم على كل تفاصيل العمل واعتقادهم بأن تفويض الصلاحيات قد يفقدهم السيطرة، بالإضافة إلى التأكيد على أن مجلس الإدارة غير فعال ولا يتم العمل به كما يجب، وهذا يعود إلى ما ذكرته الباحثة وفسرته بأن المجلس يتكون من أفراد العائلة نفسها التي تسعى إلى تعزيز قيم العائلة والمحافظة عليها واستمرارها، وكان هذا أهم ما أكدته المقابلات التي تم إجرائها، أما أهم ما توافقت فيه نتائج المقابلات مع الاستبانات هو أن الشركة لديها توجه عالي تجاه المسؤولية الاجتماعية ومدى الالتزام فيها بعض النظر عن الهدف منها.

وكانت أهم التوصيات التي أوصت بها الباحثة، أن تقوم الغرف التجارية باستحداث دوائر خاصة بحوكمة الشركات والزام الشركات بالانضمام إليها، وإنشاء ورش عمل تستهدف ملاك الشركات والعاملين فيها من أجل نشر مفاهيم الحوكمة وأثر تطبيقها، علاوة على ذلك أوصت الباحثة بتعزيز نشر مدونة حوكمة الشركات العائلية في فلسطين، وإجراء المزيد من الأبحاث بهذا الخصوص، وأوصت الباحثة أيضاً بتقسيم الحصص من البداية على امتداد الأجيال لأبنائهم حتى يتسنى لهم إنشاء الأعمال الخاصة بهم.

**الكلمات المفتاحية:** حوكمة الشركات ، الشركات العائلية، حوكمة الشركات العائلية ، الشركات الصناعية.



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## **List of Abbreviations**

<b>OECD</b>	Organization for Economic Cooperation and Development
<b>CG</b>	Corporate Governance
<b>MENA</b>	Middle East and North Africa
<b>SMEs</b>	Small and Midsize Enterprises
<b>GDP</b>	Gross Domestic Product
<b>CEO</b>	Chief Executive Officer
<b>FOBs</b>	Family Owned Businesses

# Chapter one: Introduction

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## 1.1 Introduction

After a series of collapse and various financial crises that occurred in many companies, especially in developed countries, as a result of weak control mechanisms by the actions of members of the Board of Directors and Executive Directors or Managers, interest came the corporate governance. The idea of corporate governance can be traced back to Berle and Means (1932).

Corporate governance is one of the new requirements for the promotion of the economy through the application of its concepts and principles based on transparency, disclosure, accountability, responsibility, clarity, justice and other important values addressed by the Organization for Economic Cooperation and Development (OECD), Corporate governance is a means to make the company better (Sumani & Roziq, 2020), and because its application is reflected in a real added value for companies, corporate governance has substantial effects on the financial health and performance of businesses, which in turn affects the nation's economy (Rezaee, 2009), and reducing potential conflicts between managers' interests and those of shareholders is the goal of corporate governance (Jensen & Meckling, 1976). Family businesses are a pillar of any national economy because they constitute the largest part of the economy, so focusing on them is very important, despite the fact that family businesses and entrepreneurial activities have received adequate attention in the literature across the globe, little research is done on family businesses in the Arab Region, and as a result, there is very little literature that takes family businesses and entrepreneurial activities into account (Basly, 2017). Moreover, the application of governance in family businesses is very essential in terms of their sustainability. Hence, creating a suitable governance structure may mitigate the effects of growing family and ownership complexity (Jaffe & Lane, 2004). Therefore, one of

the most significant problems identified with family businesses is the continuity of the business (Merchant & Mallik, 2017).

Therefore, the major issue of family business, as mentioned in the international literature, may be summarized in the sustainability of these companies and their continuity across generations, so corporate governance came to find the best practices in these businesses that achieve their goals.

Academics argue that in order to manage two overlapping systems: the family and the business, family enterprises must build effective governance frameworks (Lansberg, 1983).

According to the number of economic units, family businesses make up the majority of the private sector in both developing and developed countries, which highlights the significance of family businesses. There are roughly 104,000 economic units in the Palestinian economy, of which 91% are private sector, 5% are government ministries and sub-governments, 2.6% are non-governmental organizations, and 1.4% are local government and UNRWA (United Nations Relief and Works Agency for Palestine Refugees) units (PCBS, 2006). Therefore, we can conclude that the Palestinian private sector is mainly family business, and it is applied to all sectors, such as the industrial sector, which constitutes an important focus in this study.

Subsequently, it is necessary to drop the principles of governance to family businesses in the industrial sector, which drives economic development. The good corporate governance is considered crucial for family businesses and enhancing their performance, and leads to the sustainability of these businesses. Therefore, this study examines the current reality of family business governance in the industrial sector, which constitutes the largest part of the Palestinian economy, and to study the extent to which family businesses are committed to these principles and concepts.

Good governance is therefore essential for stable economic growth. As a result of industrial capitalism's economic growth over centuries, corporate governance has steadily changed in developed countries (Chowdary, 2003). However, corporate governance has not gotten as much attention in the context of developing countries as it has in industrialized ones (Kloutzer, 2013). Furthermore, the corporate governance practices in industrialized countries may not be entirely appropriate for developing countries due to the economic, social, and cultural contrasts between them. Palestine is also in this scenario because it is a developing nation.

However, research from recent years indicates that family-owned businesses with good governance processes expand more quickly and live longer because they are more likely to implement strategic and succession planning. Even a decade ago, the necessity for family firms to modify their strategy, worldwide managerial procedures, as well as the top management's philosophy, was cited as a reason for change (McDonald, 2001)

## **1.2 Problem statement**

Despite the critical importance of family businesses in the national economy, their future is fraught with threats, challenges and difficulties that threaten their sustainability and intergenerational transmission. Through reading the literature, there is corporate governance through which best practices are applied that work to separate ownership and management, which means the best application of corporate governance practices can reduce these threats to the continuity of family businesses. Hence, the industrial sector, which is the most significant source in the development process, is one of the most crucial areas that needs to be focused on. In Palestine in particular, family businesses are among the most crucial sources that need to be studied and examined because they constitute a large percentage of the companies that dominate the business sector.

The most contradictory problem in family business management is the dispute that develops between all stockholders in the business, and continues to the future through generations, and to what extent the family may endure without being voluntarily liquidated or separated. This problem exists across cultures and in all economic maturity levels.

Because the industrial sector is very important and comprises 20763 industrial establishments are among the operating sectors in Palestine (PCBS, 2017), and Hebron Governorate is one of the largest governorates contributing to the Palestinian economy. Therefore, this study came to examine the reality of the governance practices applied in family businesses. The problem of the study revolves around one of the most important dimensions to be applied in family businesses, given that governance is broad and important in the survival and growth of family businesses.

### **1.3 Purpose**

Corporate governance and its practices enhance the sustainability of family businesses, which leads the researcher to conduct descriptive research on the reality of these practices in family businesses, which so far has not found a clear path in developing countries. This study aims to explore the reality of corporate governance and its practices and mechanisms as applied in Palestinian family businesses, especially in Hebron Governorate., which is one of the largest governorates, whereas the sub-objectives are:

- The reality of rights and obligations of owners in family businesses.
- The reality of transparency, disclosure of information and auditing in family businesses.
- The reality of board of directors in family businesses.
- The reality of Executive management in family businesses.



- The reality of corporate governance commitment, the role of stakeholders and corporate social responsibility in family businesses.

**The study questions:**

**The main question:**

- What is the Reality of Corporate Governance at Family Businesses in Palestine?

**The sub questions for this study:**

- 1- What is the reality of rights and obligations of owners in family businesses?
- 2- What is the reality of transparency, disclosure of information and auditing in family businesses?
- 3- What is the reality of board of directors in family businesses?
- 4- What is the reality of executive management in family businesses?
- 5- What is the reality of corporate governance commitment, the role of stakeholders and corporate social responsibility in family businesses?

## **1.4 Significance of the study**

Due to many corporate scandals and failures, governance has recently undergone a marked resuscitation in the framework of general business. However, Corporate governance fields are a significant concern for the majority of family businesses as well. While researchers, business owners, and advisors to family firms all appear to be becoming more interested in family business governance, academics see the subject as a chance for theory development and research.(Pieper, 2003).

Although research has come a long way, it is still relatively early to understand how family businesses behave in various circumstances (Wright et al. , 2014). Therefore, in view of the dominance of family businesses over the national economy, it is necessary to conduct research that examines the reality of corporate governance as applied to family businesses in Palestine.

The topic is not only of academic interest; it is also one of the top priorities on the agendas of family business owners and their advisors, corporate governance is an important concept that should be studied as a result of its great importance and the impact of its practice on companies. As a result of the increasing importance of corporate governance, many institutions have made sure to study and analyze this concept, including the International Monetary Fund, the World Bank, and the Organization for Economic Cooperation and Development (OCED). This study is therefore designed to examine the reality of governance in family businesses in the industrial sector, which is an important part of the Palestinian economy. Hence, in both developed and developing nations, family businesses and entrepreneurship create jobs and generate money (Sanguino et al, 2018)

## **1.5 Scope of the study**

The study focuses on directing research into the reality of governance of family businesses operating in the industrial sector, which is one of the most important sectors in Palestine, particularly in the Hebron Governorate, and family businesses are the foundation of all emerging businesses, requiring governance in order to continue which the study conducting in 2024.

## **1.6 The study structure**

This thesis is divided into five chapters: The first chapter gives a summary of the study, the problem investigation, and its main goal, then the second chapter presents the theoretical framework for corporate governance and family businesses, and a set of previous studies. Later, the third chapter covers the study technique, population and sample, and instruments. The next two chapters evaluate and explain the findings, draw conclusions, and provide recommendations.

## *Chapter two*

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### **2.1 Literature review: (Theoretical Framework)**

#### **2.1.1 Corporate Governance**

There are two main schools of thought that laid the foundation for corporate governance theory, Agency theory and Stakeholder theory, which formed the basis of corporate governance theory. According to the conventional agency relationship, an agent acts on behalf of another (the principal). The principal-agent problem, also known as the agency dilemma, and the difficulty or expense for the principal to confirm what the agent is actually doing are two factors that contribute to many agency problems (Herrero, 2011). Also, the owner or shareholder serves as both the principal and agent in small and family businesses. On the other hand, all individuals and organizations that potentially have an impact on or are impacted by a company's operations can be thought of as stakeholders. Stakeholder theory makes it clear that managers must consider the interests of all parties involved in a corporation when making decisions (Jensen, 2001). These two theories take into account the various ways that business owners can set up their corporate governance systems (Colarossi et al., 2008).

Corporate governance is crucial in business literature as it makes it easier to accomplish company goals, explains how decisions are made, specifies how management and other stakeholders are allocated rights and obligations, and ensures that company behavior is in line with societal expectations (Manawaduge, 2012). Globally, corporate governance has attracted a lot of attention, Due to particular political, social, economic, cultural, and religious standards, many corporate governance systems have historically emerged all throughout the

world (Licht et al., 2005), so the term "corporate governance" has been defined in a number of different ways by studies.

All parties involved in an institution's management and oversight rely heavily on corporate governance. As a result, it is the instrument that ensures the effectiveness of the company's management in terms of resource utilization and risk management.

All nations have been urged to adopt global corporate governance standards by numerous international organizations, including the World Bank and the OECD. They have also created corporate governance principles (Aguilera & Cuervo-Cazurra, 2009).

The Organization for Economic Cooperation and Development defines corporate governance as the laws and customs that control how a corporation's managers and shareholders interact with its stakeholders. By boosting market trust, financial market integrity, and economic efficiency, it promotes growth and financial stability (OECD,2004).

Whereas a collection of interactions between a company's management, board, shareholders, and other stakeholders is known as corporate governance. Additionally, corporate governance offers the framework through which the company's goals are set, as well as the methods for achieving them and evaluating performance (OECD, 2015).

The topic of governance has grown to include many different aspects, such as those related to shareholder and related party rights, until it includes the establishment's commitment to its social responsibilities towards the community in which it conducts its business. Governance has become one of the prerequisites for good management (Porter & Kramer, 2007).

Corporate governance is defined as "involved with maintaining the balance between individual and collective interests, as well as between economic and social goals and between individual and communal goals. (Cadbury, 2002).

The practice of corporate governance is seen as an internal system for managing management. A company can improve its performance with the support of good corporate governance, which is a powerful weapon (Ghabayen, 2012).

The Organization for Economic Cooperation and Development (OECD), which published the principles of corporate governance and its applications in 1999, and the Basel Committee, which published the principles of bank governance, are two international organizations that are eager to examine and research the idea of governance and its rules.

There is a misconception that adopting corporate governance entails high costs with no guarantee that these costs will bring benefits to the family business. Despite the fact that implementing corporate governance adds additional costs, such as appointing independent directors, developing an internal control system, and conducting external audits, these costs are outweighed by the long-term benefits gained from implementing corporate governance (Jordan Institute of Directors, 2013).

Arab nations have established rules addressing corporate governance principles as a result of their recognition of the significance of corporate governance. Egypt is one of these nations. In 2005, the General Authority for Investment and Free Zones published a set of governing principles that were in line with those published by the Organization for Economic Cooperation and Development (OECD). The Capital Market Authority was issued in the Kingdom of Saudi Arabia in the year 2006 AD (Talahma, 2012).

The final version of the Code of Conduct was published by the National Committee for Governance in Palestine, which is made up of 13 institutions, including the Palestinian Capital Market Authority, the Financial Market, the Companies Controller, the Palestinian Monetary Authority, the Association of Banks, the Businessmen Association, the

Coordinating Council for Private Sector Institutions, and the General Union for Insurance Companies, Auditors, Lawyers, and Academics, in February 2009. This code was created in an effort to address the flaws in the legal regulation of corporate governance principles in the corporate governance laws currently in effect in Palestine, such as the Companies Law No. 22 of 1929 in the Gaza Strip and the Jordanian Companies Law No. 12 of 1964 in the West Bank. The Banking Law No. 2 of 2002 and Law No. 13 of 2004 concerning the Palestinian Capital Market Authority (Talahma, 2012).

### **2.1.1.1 Principles of Corporate Governance**

The OECD Principles of Corporate Governance offer precise recommendations for enhancing the legal, institutional, and regulatory framework that supports corporate governance, with a focus on publicly traded businesses, for policymakers, regulators, and market players. Additionally, they offer helpful recommendations for stock exchanges, investors, businesses, and other parties involved in the process of creating sound corporate governance. They have been recognized as one of the 12 fundamental principles for financial stability by the Financial Stability Forum (Leipziger, 2015).

The OECD Principles, which were first released in 1999, have since established themselves as the global standard for corporate governance and served as the inspiration for several reform initiatives undertaken by both the public and private sectors. Through a process of comprehensive and transparent consultations and drawing inspiration from the work of the Regional Corporate Governance Roundtables for non-OECD countries, the Principles were updated in 2003 to reflect changes since 1999 (Leipziger, 2015).

According to the Organization for Economic Cooperation and Development (OCED), the principles are not binding, but rather they are intended to be reference points that can be used by policy makers during the preparation for action on governance methods.

The principles for good corporate governance practices were included in the Palestinian Corporate Governance Code, which was published in February 2009. These procedures should guarantee effective involvement and management and protect the interests of shareholders and stakeholders.

Therefore, Corporate governance is based on several principles adopted by the Organization for Economic Cooperation and Development (OECD), and these principles are as follows:

(1) The rights and obligations of shareholders:

As these shareholders are the company's basis and the primary goal of applying governance is to enhance their wealth, it is generally known that the rights of shareholders are among the crucial principles for the application of corporate governance. Therefore, in addition to their crucial role in choosing the Board of Directors, which includes an effective executive management capable of carrying out the tasks assigned to it in order to achieve the objectives set by these shareholders, their role in defining and setting the company's strategy is clear (OECD, 2004).

Corporate governance ensures that rules and procedures for making decisions on corporate affairs are clear and distributes rights and responsibilities among the numerous players in a firm, such as the board, managers, shareholders, and other stakeholders (Feleagă et al., 2011).

In addition, Klapper & Love (2004) suggest that good corporate governance practices are more essential in countries with inefficient enforcement and weak shareholder rights. The conclusions of their study have significant policy ramifications, urging businesses in nations with lax legal systems to adopt excellent corporate governance procedures even more.



(2) Transparency, disclosure of information, and auditing:

The corporate governance framework should make sure that all relevant information about the firm, such as its financial status, performance, ownership, and governance, is disclosed in a timely and correct manner (*OECD, 2004*).

One of the fundamental foundations of the degree to which a company is committed to the principles of governance is the disclosure and commitment to transparency with regard to financial and administrative information in line with the law's regulations and the internal system of the company (*Guidelines for the Governance of Family Businesses in Palestine, 2014*.)

The necessity for transparent governance has become even more critical in light of the recent global financial crisis. Indeed, transparency is a crucial component of corporate governance and is frequently associated with a stable financial system. Ho et al. (2008) emphasize the significance of governance structures in a study of Malaysian companies; they discovered that better governance led to considerable improvements in corporate voluntary disclosures and that large corporations tend to reveal more information.

Therefore, Chen et al. (2007) reinforce that good disclosure practices are a type of good corporate governance because transparency and disclosure are important and essential aspects of corporate governance. If a company has poor information disclosure and transparency procedures, the market may anticipate more severe information asymmetry issues.

According to a review of the literature, the Middle East and North Africa (MENA) area has a major transparency gap when it comes to corporations (Leigh, 2011).

### (3) The board of directors:

The board of directors is one of the mechanisms used by employers to monitor executive managers, and through them, policies and strategic plans are defined, and its members are selected in order to achieve their interests. Being a crucial internal control mechanism, the board of directors plays a significant role in establishing the strategy and effectiveness of an organization. The corporate governance structure should assure the firm's strategic direction, the board's effective management oversight, and the board's accountability to the company and its shareholders (*OECD, 2004*).

As the company's top executive unit, the board of directors is in charge of developing policies and strategies as well as overseeing operations (*Ahmed & Gábor, 2012*).

As stockholders' expectations and needs change with each succeeding generation in charge, family business boards of directors must be extremely explicit about share succession and evaluate its impact on company strategy. In a family business, the choice to establish a board of directors is intimately related to the company's stage in the firm's life cycle, and discovered certain common traits that influence the board's makeup and function based on the family generation and corporate maturity stage. In the first generation, when the owner operates the business personally, boards are frequently absent. All business decisions are often made by the owner, and no accountability exists. Entrepreneurs frequently don't feel the need for a supporting body when making decisions. Entrepreneurs start thinking about creating a board when the second generation starts working in the family firm to help them deal with the expansion and inevitable conflict brought on by bringing their children into the organization. (*Brenes et al. 2008*).

This suggests that the board acts as a mediator between the principals and the agents to ensure that capital is directed to the right objective. The board also plays a significant role in corporate governance, including overseeing management performance and ensuring investors receive a reasonable return on their investment ( Ongore & K'Obonyo, 2011).

(4) Executive management:

Non-family executive involvement in family firms is a very important topic that is always being researched and studied (Klein & Bell, 2007). According to a study conducted in Saudi Arabia, in order to achieve reasonably high performance and maintain the survival and longevity of the firm, ownership should be completely segregated from the other aspects of a family corporation's governance (Sahni et al. 2007).

From research done on Saudi family companies, the author developed a framework that enables the creation of a governance structure for control and coordination. According to the study, in order for a family business to achieve reasonably high performance and guarantee its survival, ownership needs to be completely isolated from the other aspects of the business's governance (Sahni et al., 2017).

The executive management of any company plays an important role in its success, as preparing a good manager for the company during the current business is the best decision taken for the continuation of the family business (Salameh, 2017).

(5) CG commitment, the role of stakeholders, and corporate social responsibility:

Corporate social responsibility focuses on the accountability and transparency of corporate actions that include social, ethical, environmental, and economic efforts, which are often voluntary and placed both inside and outside of market and commercial transactions. It is the responsibility of for-profit and not-for-profit organizations for their

impact on stakeholders, the natural environment, and wider society (Riano & Yakovleva, 2019), and the World Business Council for Sustainable Development defines corporate social responsibility as the “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, as well as of the local community and society at large.”

The social responsibility movement began as a result of public outcry about detrimental effects of corporate activities, including child labor, poor working conditions, unpaid overtime, and environmental damage. (Blowfield & Murray, 2014).

Social responsibility is a very important topic that is required of all companies operating in society, not just family businesses, as mentioned by Halme et al., (2009), all businesses operating in a society are expected by the government and international organizations to be responsible for the environment and society at large.

The idea of social responsibility is in high demand and is expected to be implemented in the future through specialized departments, targeted strategic plans, and the allocation of a certain amount of company funds.(Aljabari, 2016).

### **2.1.1.2 Corporate Governance in Palestine**

In terms of governance, Palestine is not far from the worldwide norm. In addition, the private sector and Palestinian businessmen played a significant role in attempting to spread the culture of governance in Palestine. The Palestinian Capital Market Authority established the National Committee for Governance, whose goal was to develop a unique system of governance and try to install it in Palestine (Qabaja et al., 2008).

The importance of the CG cannot be understated because it creates the organizational climate for the internal operations of the company. The SMEs sector in Palestine will greatly benefit

from CG's introduction of excellent management standards, a strong insider auditing committee, and several opportunities for growth. Applying CG to Palestinian SMEs might help them become more entrepreneurial and competitive by bringing new strategic perspectives from independent outside directors. The right use of CG concepts in entrepreneurial businesses cannot pose a threat to value development. In light of this, it is crucial for businesses to make commitments to value generation (Dwaikat et al., 2020).

In Palestine, there isn't really a concept of governance because businesses listed on the Palestine Stock Exchange follow the law's requirements, such as the requirement to publish financial information, and those not listed don't. So long as there is no law, businesses do not adhere to any governance principles, including the appointment of boards of directors or internal auditors, disclosure, transparency, accountability, and accounting, raising capital, or informing shareholders of their rights, practices, and accountability, all of which are illegal in Palestine (Alawna, 2008).

In light of the international trend towards a culture of governance, the Middle East Partnership Principles emerged in 2003, which was a two-year regional project targeting the business and economic sectors, and focusing efforts on corporate governance as essential to private sector development and institutional reform.( Qabaja et al, 2008).

Despite the widespread interest in applying corporate governance in Palestinian public shareholding enterprises, there has recently been interest in doing so in private sector businesses, particularly family businesses, as they make up the largest portion of any nation's economy.

### **2.1.2 Family Businesses**

Family enterprises are the oldest and most prevalent type of commercial organizations in the world (IFC, 2018), so the importance of family enterprises in current economic operations in both developing and developed countries cannot be neglected, since evidence suggests that these businesses have significant economic potential in addition to their significant social contributions. (Głód and Głód , 2017), whether in developed or developing countries, family enterprises and entrepreneurship help create jobs and generate money everywhere (Sanguino et al., 2018).

The difference between family and non-family firms appears significantly in age, growth, performance, and corporate governance and control (Amit & Villalonga, 2004).

Specifically, there are at least two reasons why it is important and pertinent to understand the family business phenomenon in the Arab Middle East. First, family firms account for up to 90% of all businesses in the Arab Middle East, employ 80% of the labor force, and produce 60% of the region's GDP (PWC, 2016).

Family businesses have been regarded as the engine part of the developing countries economy. The majority of enterprises are run by families. They are the driving forces behind socioeconomic development and wealth creation. One or more family members who are actively involved in the day-to-day management of the firm own and operate it (Abuznaid, 2014).

Since most family businesses are private, precise information about them is difficult to get. Since there is no clear, quantifiable definition of a family business, measuring the impact of all family businesses has made it more difficult. The percentage of ownership, strategic control, engagement of several generations, and the aim for the business to continue in the

family are just a few of the many distinct criteria that experts in the area use to differentiate these businesses (Astrachan & Shanker, 2003).

A family business is a corporation in which two or more family members jointly own it or collaborate on its management (Longenecker et al., 2003).

Litz (1995) identified the family business as “a business firm may be a family business to the extent that its ownership and management are concentrated within a family unit and the extent its members strive to achieve and/or maintain inter-organizational family-based relatedness.”

Likewise, a family firm is one that is governed and/or managed to create and pursue the vision of the business held by a dominant coalition owned by members of the same family or a small number of families in a way that may be sustainable across generations.(Chua et. al, 1999).

Family businesses are one of the distinctive forms of companies that are often small in size, and these companies refer to any company that is primarily owned by individuals belonging to a particular family. This special situation indicates the prediction of a permanent and dominant family climate within the company, as the dominance of the team spirit in the company encourages interdependence between employees, as well as build long-term relationships between suppliers and all stakeholders that deal with the company. It is possible for the employees of the company to feel a sense of belonging to the family and a strong commitment to the objectives of the company at the same time. As a result, you find that family businesses are often far from the pressures of the stock markets, and are characterized by centralization, which leads to the stagnation of organizational thought in family companies, and a weak possibility of the emergence of new ideas to achieve long-term development (Aldabl, 2013).

Because family enterprises must take into account the interests and preferences of the owner family in addition to dealing with common commercial possibilities and requirements, they are more likely to require long-term management. According to statistics, just 30% of these businesses continue to operate beyond the second generation, 10% make it to the third, and only 4% make it to the fourth. However, family enterprises exhibit advantageous traits. (ward, 2002).

### **2.1.2.1 Family Businesses in Palestine**

Family businesses don't last very long at all. According to the second Family Business Conference, which was held in Jordan in 2010, family businesses in the Arab world only last 24 years. Just 30% of them are passed down to the second generation, only 10% are passed down to the third generation, and only 3% survive past the third (Jordan Institute of Directors, 2013).

Many family firms were the most successful firms in the Palestinian economy. In almost one-third of Palestinian family enterprises, there is discord over how to run the company. Most often, a management quarrel causes the business's operations to suffer, and finally, the partners dissolve the company. Additionally, all corporate groupings may experience managerial conflicts. In addition to that, the food and beverage industry, apparel, wood and metal furniture, hotels, retailing, and wholesaling sectors were where the most successful family businesses were found. Some family businesses have a market share of up to 95% of the overall demand for their particular products in the Palestinian economy. While the average size of a Palestinian economic unit is about five people per institution, some family businesses employed between 200 and 350 people. (Sabri, 2014).

Family business is dominated in Palestine, as 96% of Palestinian SMEs are considered family firms, over 70% of them are located in the West Bank (Abuznaid, 2014).



The following will be explored in relation to the study Sabri (2014) conducted, which covers the key aspects of the topic of governance succession and the life cycle of family businesses:

- 6- According to the number of employees, sales volume, and market share, many family businesses have been the most prosperous firms in the Palestinian economy over the previous forty years.
- 7- The manufacture of food, beverages, clothing, wooden furniture, metal, hotels, retail, and wholesale were the key industries where family businesses were most successful. Almost 95% of the overall demand for some family-run enterprises' goods in the Palestinian economy was captured by their market share. While the average size of the Palestinian economic unit is roughly five people per institution, some family businesses employ 200 to 350 people.
- 8- Conflicts between family members who manage their own businesses occur in about a third of Palestinian family businesses. The majority of the time, management disputes stop businesses in their tracks, and finally, the partners split the business. Also, all corporate groups exhibit inconsistent management.
- 9- Palestinian family businesses frequently have management disagreements between partners, either historically, which has resulted in the division of numerous successful businesses, or today, where family governance members are either working on a solution or are expected to be in it. Expresses a drop in sales volume in comparison to earlier years in the near future.
- 10- Most third-generation family businesses will be dissolved, divided, or acquired by private parties.

According to Anabtawi (2011), the advantages of Palestinian family businesses are as follows:

- 11- Inherited business experience, as these companies are based on the principle of financial support by a group of people.
- 12- Flexibility in facing the obstacles caused by the occupation.
- 13- Rapid adaptation to changes.
- 14- The effectiveness and vitality of the financial and administrative performance are due to the presence of more than one member of the family, all of whom work for the continuation of the company.

Every company has its advantages and disadvantages, and family businesses are no different. There are differences between each sort of business, though, as well as in how they approach problems. The family company, in general, has the following strengths and weaknesses:

15- Some of these strengths include: (Cadbury, 2000) & (Ward, 2002):

- ✓ The Commitment, which the family, as the company's owner, devotes itself wholeheartedly to seeing that the enterprise expands, thrives, and is handed on to the following generations. As a result, many family members identify with the business and are typically ready to put in more effort and reinvest some of their earnings in order to help it expand over the long run. On its family-owned company clients.
- ✓ Continuous Knowledge, which the transmission of collected knowledge, experience, and abilities to the next generations is a top responsibility for families who own businesses. From a very young age, many family members get fully absorbed in the family business. They become more committed as a result, and they are given the resources they need to manage their family business.

- ✓ Reliability and pride, due to the fact that their name and reputation are connected to their goods and/or services, family businesses work to improve the caliber of what they produce and keep a positive working relationship with their stockholders.

The fact that many family firms fail to be long-term viable may be the trait of family enterprises that is most frequently mentioned. In fact, between two-thirds and three-quarters of family firms either fail or are sold during the founder's lifetime. Just 5 to 15 percent of businesses owned by the founder's ancestors survive into the third generations. There are many causes for the high failure rate of family-owned enterprises. Several factors, including poor management, a lack of cash to support expansion, inadequate control of costs, industry conditions, and other macro factors, might also cause any other business to fail. Family enterprises do, however, exhibit some weaknesses that are particularly pertinent to their nature. Some of these weaknesses are (Neubauer & Lank, 1998):

- ✓ Complexity: Due to the presence of a new factor; the family, family firms are typically more complex in terms of governance than their rivals. The intricacy of the problems that these businesses must resolve rises when family emotions and problems are included. Family members typically have distinct responsibilities within their firm, which can occasionally result in a nonalignment of incentives across all family members, unlike in other types of enterprises.
- ✓ Informality: Setting up clearly defined company policies and procedures is typically not very important because most families run their enterprises themselves (at least during the first and second generations). This condition might result in numerous inefficiencies and internal conflicts that could endanger the viability of the business as the family and its business expand.

- ✓ Lack of discipline: Many family firms fail to give important strategic areas enough attention, like succession planning for the CEO and other key management positions, hiring family members, and luring and keeping talented outside managers. Any family firm that postpones or ignores such crucial strategic decisions risks failing.

### **2.1.2.2 Challenges of Family businesses**

According to the Capital Market Authority, the importance of family businesses is demonstrated by the fact that they account for approximately 90% of all companies operating in Palestine, and they all face many challenges. (Palestine Exchange, 2016 )

No business is exempt from difficulties, since difficulties and hurdles affect businesses of all shapes and sizes worldwide. But these difficulties vary from company to company, in terms of size and culture. According to family businesses in the Arab region, the most frequent challenge is the business environment, and the second most frequent difficulty is finding the right skills & capabilities (Saleh&Manjunath, 2020), The changing economic environment poses a major challenge to every family business in the Arab Region (PWC, 2019), and the conflict between the business's interest and the interest of the family has its effect on developing the workforce in such businesses (Alwekaisi, 2019). Moreover, family businesses find it challenging to develop a distinctive advantage that would allow them to access qualified human capital and nurture it via development over the term, it puts pressure on companies to plan for employee training and development, which is a concern because it results in employee turnover (Tharawat , 2012), and which given how traditional family businesses are viewed, on of the most challenges is how inventive they can be (Shanker & Astrachan, 1996.), in addition to all above, the succession planning is seen as a big task for organizations, but it is particularly difficult in The Middle East and Arab Region because of the prevalence of large families, which creates problems and difficulties for them, this

suggests that family procedures must be put in place to control succession, disputes, and business values, in the Arab Region more than half of family businesses view succession planning as a significant barrier to their success and expansion (PWC, 2019).

Governance is the core point for attention of family businesses to deal with internal challenges in family businesses as well as external challenges in the business environment. Governance can be improved in family businesses in the Arab Region through interdisciplinary teams in the business, outlining the procedures, and carrying out continuous follow up and evaluations.

### **2.1.3 Corporate governance in Family Businesses**

Some challenging governance difficulties are brought on by the intricate relationship between the family and the business (Wellalage & Locke, 2011). Hence, a family business's efficient operation and growth are effectively hampered when it reaches the point where management is getting increasingly challenging. The moment has come to create more formal governance institutions (Mallin, 2004). Therefore, it is evident that governance has a strong relationship to family businesses and their development, and it is crucial to implement it in all businesses, but especially in family businesses, as they are the most businesses prone to the existence of conflicts.

The governance structure of family businesses includes taking into account the family dimension, or family governance (Siebels & Knyphausen-Aufseß, 2012), Despite the fact that neither governance generally nor family businesses specifically have a single, widely acknowledged philosophy or point of view that makes sense, a governance framework helps a family business achieve its objectives by providing guidance and oversight. As a result, the governance debate in the family company sector has drawn a lot of attention in recent years. The emphasis of research on family business governance has also changed over time, shifting

from an almost sole focus on individual governance bodies and structures, particularly the function of the board of directors in the family firm, to a different approach emphasizing the governance system as a whole ( Pieper, 2003).

Family businesses are now sensitive of the importance of having a strong governance structure for the long-term continuity of the family and the business. Owners learn about and receive an assessment of the relationship between corporate governance and the performance of their businesses (Pieper, 2003).

Structures and processes constitute the governance system in every family business, and it is crucial to note that each family firm has its own unique governance system, depending on the patterns of interaction between the structures and processes (Melin & Nordqvist, 2002). Hence, structures of family business governance system include (1) the family and its institutions (family meeting, family assembly, and family council), (2) the Board of Directors, (3) the Chief Executive Officer (CEO) and the Top Management Team (Neubauer & Lank, 1998).

Governance rules for family businesses are distinguished by their emphasis on the company's social and familial aspects. A guide to family governance rules has been developed in various countries, as well as a guide to the governance of family businesses in Palestine and a guide to the International Finance Corporation. This guide mentions the following governance rules related to the administrative aspect (Talahma, 2012):

- The family business's interests require that employees be hired based on objective professional and competitive standards.

- It is critical that all partners follow the principle of determining employee salaries and annual raises and selecting administrative competencies based on criteria that are not related to family affiliation.
- The board of directors must be chosen by acclamation or election.
- Should be formed as specialized committees, such as: audit and governance committees.
- The establishment of a family advisory committee as an important component of the governance structure.
- The continuity of the company is represented by certain procedures, such as establishing an administrative, organizational, and financial structure based on certain foundations and aiming to achieve profit and enhance the company's stability and continuity, as well as procedures related to delegating powers to managers on clear a basis, in addition to defining goals and future vision and ensuring the family's commitment and understanding of these goals.

#### **2.1.4 The relationship between corporate governance and performance**

After the economic collapses and financial crises that were previously mentioned, interest in governance and its significant role in enhancing corporate performance has increased. In addition, there is a significant impact of corporate governance on the financial performance of companies, which guarantees the rights of shareholders and prompts them to support corporate governance practices. Good corporate governance can significantly improve firm performance by resulting in better management and more efficient use of the company's resources (Low, 2002).

The administrative, economic, and political pressures that governments and institutions in general are subject to as a result of what globalization has produced in the expansion of the

volume of activities, the movement of capital across borders, and the weakness of supervision and control over it, have led to an increase in interest in governance as a solution through which a set of guidelines can be found to improve their performance.

The fact that the application of governance improves the level of the company's performance is closely related to the fact that the fundamental governance principles previously mentioned help executive managers and the company's board of directors develop a sound strategy for the company and ensure that effective decisions are taken based on a sound foundation. Hence, Chiang & Chia (2005) discover a large positive association between corporate transparency and company performance, coming to the conclusion that it is one of the most crucial metrics for assessing corporate performance.

Good governance practices in SMEs are likely to encourage boards to provide much-needed pressure for performance improvement by ensuring that the needs of the business are met (Dwaikat et al., 2020).

Previous studies show that corporate governance significantly affects firm performance. In recent years, the literature on financial economics has paid a great deal of attention to the relationship between corporate governance (CG) and performance. Looking at the study conducted by Brenes, Madrigal, & Requena (2011), which presents the findings of a study carried out among 22 Latin American families who own firms and have codified a corporate governance structure or formed family protocols. In the case of these family-owned businesses, the report also assesses the effects of creating a board of directors on corporate performance, which indicates the importance of governance principles and their impact on performance. Hence, the introduction of CG creates space for the board's composition to include outside directors who are not always related to the owners and who, as a result, may



derive more impartial good management techniques for running the company and making profits (Adams et al., 2010).

Governance principles guarantee that any business's performance will increase and be very high. This is a result of the relationships between the key players, who are crucial to improving the success of the company (Abdulrazaq, 2013).

As mentioned in the Jordan Institute of Directors which titled: " How can corporate governance help grow family owned businesses (FOBs) in Jordan" , the Nuqul Group is a case study of how good corporate governance may support the expansion of family businesses. The Jordanian corporation makes manufactured goods. The Nuqul Group realized that by developing a strong corporate governance framework, it could grow and draw in partners and investors. By ensuring that everyone was aware of their respective roles, duties, and rights throughout the process, they created the foundation for a smooth succession between generations. The business, which began as a small trading firm in 1952, has grown to include over 30 businesses with around 6000 employees. According to Nuqul's vice chairman, such growth would not be possible if it wasn't for the improved corporate governance practices (CIPE, 2011).

## **2.2 Previous studies**

The researcher needs to supplement the current study with earlier research on the same subject:

### **16- (RUSTAM & NARSA, 2021), Good Corporate Governance: A Case Study of Family**

#### **Business in Indonesia :**

This study looks at the CG concept's partial adoption in Indonesian family-owned enterprises, The purpose of this study is to better understand how the internal audit function contributes to GCG practices.

In-depth interviews and surveys were conducted on three family businesses in Indonesia whose majority ownership was in their immediate family members in order to get the raw material for this qualitative study. Primary and secondary data were used to compile the study's data and Direct observation and in-depth interviews with informants and connected parties were used to collect primary data. Therefore, the interview is unstructured, and the inquiries are unplanned, the researcher revised the interview's findings and published them in a journal and manuscript. The informants were then given confirmation of the data in the manuscript. This process is used to make sure there are no misconceptions or errors. Documents pertaining to the activities of the informants are utilized to gather secondary data, which is then used to support the company's adoption of corporate governance.

The author conducted in-depth interviews in addition to making both direct and indirect observations, and the author studied how the CG idea is used by businesses and operational actors (such as the interactions between staff and employees and managers and business owners). Indirect observations of organizational structure, job descriptions, financial reporting

procedures, internal control policies of the company, and corporate discussion processes are made by the author while researching financial and managerial data.

According to the study's findings, CG is necessary for family companies to operate successfully, and the best results related to this were as follows: Businesses must practice good corporate governance, which goes beyond simply implementing corporate governance. All firms require the notion of CG, according to the findings of interviews and in-depth observations. In addition, the findings of the observation demonstrate that every company has an organizational structure and a list of duties for every manager. According to the results of the conducted interview, it is evident that GCG is required to uphold and enhance a business's performance; yet, due to the proportion of ownership and interests, GCG implementation and practice do necessitate the commitment and willingness of company owners.

**17- (Deqesh & Zain, 2018) The contribution of the application of corporate governance principles to the continuity of family businesses in Algeria." A study of a sample of industrial organizations in the Messila region":**

Governance has become an important topic in all local, regional, and international departments and institutions after a series of crises. This study was conducted in Algeria in order to determine the relationship between the application of corporate governance principles and the continuity of family businesses. This study investigated transparency and disclosure, the distinction between ownership and management, the degree to which family firms were interested in stakeholders, and the degree to which they were interested in passing ownership to the next generation. A sample of family companies in the Messila region were given the questionnaires, which were disseminated using the analytical descriptive approach.

The most important results that have been reached, applying governance principles enhances trust between shareholders and stakeholders. Governance contributes to preparing for the transfer of family businesses from one generation to another to ensure their sustainability. There is variation among the family businesses under study with regard to adherence to the principles of governance.

**18- ( Shabana, 2018), Family businesses in Hebron Governorate: problems and ways of development.**

The study aimed to identify the reality of family businesses in Hebron Governorate, and the problems they face. The researcher used the descriptive approach, and the population of this study consisted of workers in family businesses. The questionnaire was distributed as a research tool. The most important results related to this study were that the owners' control over family businesses is often Its goal is to preserve the company and its continuity, so that problems are dealt with superficially without scientific methods, and the solution is often not radical, which means that the problems faced by family companies are of a high degree, and among the results of this study was that the methods of development are often It is traditional and not based on an organized strategy that is planned in advance. The researcher also believes that the age of the company has no impact on family companies, because the employees are the ones who work to develop the companies, as the employees seek to carry out the tasks assigned to them.

**19- (Salama, 2018), The commitment to the guidelines for the governance of family businesses in the northern West Bank from the perspective of their owners.**

This study aimed to identify the commitment of family businesses to the guidelines for the governance of family businesses in the northern West Bank from the point of view of their

owners. The researcher identified variables for this study such as the company's activity, the number of employees in it, and the chronological age of the company. In addition, the researcher adopted the descriptive approach and the questionnaire as a research tool. The most important results of this study are that there is adherence to the guidelines for corporate governance in the northern West Bank to a moderate degree, and all of them were related to the variables of the study that were mentioned previously. After these results, the researcher recommended the need for companies to hold courses and workshops that include modern administrative trends, the most important of which is the governance of family businesses to build a clear picture for executives and family business owners.

## **20- (Sahni et al., 2017) Corporate Governance in Family Business: Evidence from Saudi Arabia:**

The corporate governance practices in Saudi Arabian family-owned businesses were examined in this essay. It has two goals: first, to add to the limited body of literature by examining Saudi family enterprises' corporate governance; and second, to situate Saudi family firms' corporate governance within the global discussion of the best practices of corporate governance systems utilizing OECD standard. The respondents were the founders and successors of Saudi-based family businesses that had been in existence for at least five years at the time this research was done. The primary data were gathered through a questionnaire and interviews with the purposefully selected samples. Additionally, extended library research and company documents were employed as secondary data as well as for validity and reliability tests. The findings reveal the potential benefits and drawbacks of the family-owned businesses' current corporate governance framework in Saudi Arabia, and they could have important repercussions for other Gulf Cooperation Council nations.

Additionally, the analysis includes the OECD's highly regarded governance principles, which have not previously been done in Saudi Arabia. The research highlights the significance of corporate governance in family-owned businesses and outlines the good corporate governance practices that contribute to their sustainability and success in Saudi Arabia. However, based on the empirical findings, not all of the OECD's standards were found to be upheld by Saudi Arabian enterprises, as their adoption was shown to be patchy.

### **21- (Salameh, 2017) Succession of family businesses in Palestine.**

This research's primary goal is to examine the variables that influence the succession process and results for family-owned firms and to provide essential suggestions for successful succession planning. This study uses a qualitative research design, content analysis methodology, and in-depth, semi-structured interviews with sixteen people who were specifically chosen from family businesses in Palestine to learn more about the participants' perspectives on the key variables influencing succession planning and business outcomes. The main conclusions of this study make it clearly evident that the following are the main obstacles that family businesses in Palestine face: the nation's overall political and economic climate, growing local and international competition, financial difficulties, the introduction of new goods and services, and the search for more clients and markets both domestically and abroad. In addition to other results reached in this study, such as that the good relationship between father and son is considered one of the factors that positively affect the results of the succession of family businesses. On the other hand, competition between family members is one of the factors that negatively affects, and preparing a manager for the company in the life of a current business manager is the best alternative to a family business.

## **22- (Khalil & Safieddine, 2015) Corporate Governance in Middle East Family**

### **Businesses:**

The purpose of this study is to examine the quality of corporate governance in Middle Eastern family businesses. So, this study came to fill a gap in the literature, By researching the governance practices of privately held businesses operating in the Middle East and looking at problems family businesses face in terms of governance structures, the data was gathered through a survey that was distributed to 500 firms in order to analyze the governance systems of Middle Eastern companies. Two criteria were used to choose the sampled businesses. The first requirement has to do with the nation where the company was founded. Since the Gulf Cooperation Council (GCC) nations typically have similar company regulations, family structures, and cultural norms limit the sample to companies incorporated in GCC nations. The second factor that determined which businesses were chosen has to do with size. And the authors distributed the questionnaire to the 500 largest family businesses in terms of employees or revenues when available.

The main findings of this research on the governance structures of Middle Eastern family businesses reveal expected results related to inadequate governance structures, as evidenced by a majority of firms having Chairman/CEO duality, substantial family involvement in managerial decisions, and a significantly low ratio of independent directors to total directors. The presence of an effective family council or assembly has a positive influence on the governance within family firms, especially if the council is committed to fulfilling its well-defined role and objectives. A sizable portion (33%) of our sample is still uncertain as to the benefits of governance to the family. This is a clear indicator of the need to educate businesses within the Middle East on the importance of governance for ensuring the successful continuity of the family business and corporate governance has become a major

factor affecting the success of emerging market businesses. Furthermore, good corporate governance practices are an important part of any strategy to prosper. For small, medium-sized, and family-owned companies, which comprise the majority of companies in the Middle East and North Africa (MENA) region, corporate governance procedures can help facilitate a smooth intergeneration and transfer of wealth and reduce conflicts within families. Good governance is an essential component for ensuring the integrity of financial reporting and effective business management.

**23- (Alhafi, 2015), The commitment to the guideline for the governance of family businesses in Palestine and its impact on their performance:**

The aim of this study is to investigate the extent to which family companies adhere to the guiding family business governance guide in Palestine and its impact on their performance, The descriptive approach was used, and the questionnaires were distributed to the study population. The most important results related to the extent of adherence to the guiding guide for the governance of family businesses in Palestine were reached. The most important results were the presence of a strong correlation between the performance of companies and the extent of their commitment to this guide. In addition to these results, the study highlighted the importance of corporate governance, in enlightening managers and employees with the concept of family business governance, its activities and operations.



### **2.3 Remarks on previous studies**

This study supported and reinforced previous research by sharing some aspects that were both comparable to and distinct from them. This is accomplished by reading a number of previous research studies and analyzing their goals, methodology, samples, instruments, and societies.

It is significant to note that the researcher has adopted this Study with study of Corporate Governance in Family Business: Evidence from Saudi Arabia in terms of the principles of governance to be studied (Sahni et al., 2017)

This study is similar to many studies in terms of using a descriptive approach, which is the best approach to studying the reality of family business governance, and it is also interconnected with the studies that are conducted in the Hebron Governorate as a justification for some of the results that are reached and overlapped with it in terms of studying the principles individually, but the researcher in this study described the principles together, and the findings It varied from earlier research in that it is descriptive rather than to study the impact of governance on performance or sustainability.

In conclusion, the researcher benefited from previous studies in commenting on the results revealed by the current study and knowing the future directions about the dimensions of the study represented by the reality and principles of corporate governance and family businesses as the most important thing that can be researched.

## Chapter Three

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### **3.1 Methodology**

This chapter presents the research methodology and all of the procedures followed in this research. It also includes a description of the research methodology, the population of the research, the sample, tools, and procedures of this research, as well as statistical analysis in analyzing the study.

#### **3.1.1 The study's Design**

The researcher used the descriptive method, which depends on describing the reality of the study. This is conducted by describing respondents' features and answers regarding the objectives of the study, This methodology is the most appropriate for this study.

#### **3.1.2 The study Population**

The study population consisted of all family businesses operating in the industrial sector in Hebron Governorate, and there are no official statistics for these businesses. So, the researcher resorted to references that confirm that 100 questionnaires are sufficient to represent the study population with an unclear framework

#### **3.1.3 The study sample**

Therefore, in this study, the researcher resorted to purposive sampling in order to reach the largest possible number of these businesses in Hebron governorate, and through the researcher's experience in the market in a family business, the researcher found a group of 100 firms, Since the population size is unknown with a five percent margin error and a 95 percent confidence level. The minimum number recommended for sample size is 100. According to MacCallum & Widaman (1999), a sample size of 100 was adequate at all levels

of the over determination condition. In line with Gorsuch (1983) recommended that N should be at least 100, and Kline (1979) supported this recommendation. This is also supported by Utama (2014), as he stated that 100 sample is the minimum sample size for an unknown population size. In this study, 100 respondents is the total sample size targeted in this study. (Robert C. MacCallum & Keith F. Widaman, 1999).

A purposive sample of 84 of the respondents of the family businesses operating in the industrial sector in Hebron Governorate was selected. The following table shows the distribution of the respondents in the study sample according to their personal and demographic characteristics.

**Table(1): Frequencies (N) and Percentages (%) of the respondents in the study sample according to their personal and demographic characteristics.**

Variable	Group	N	%
Gender	Male	72	85.7%
	Female	12	14.3%
	Total	84	100.0%
Age	20-less than 30 years	27	32.1%
	30-less than 40 years	23	27.4%
	40-less than 50 years	16	19.0%
	50 years or above	18	21.4%
	Total	84	100.0%
Qualification	Secondary school or less	15	17.9%
	Diploma	13	15.5%
	Bachelor degree	42	50.0%
	Graduate studies	14	16.7%
	Total	84	100.0%
Years of experience	less than 5 years	12	14.3%
	5- less than 10 years	27	32.1%
	10-less than 15 years	18	21.4%

	15 years or above	27	32.1%
	Total	84	100.0%
Job position	Member of the Board of Directors	21	25.0%
	Executive Director	19	22.6%
	Director of the Department	32	38.1%
	Other	12	14.3%
	Total	84	100.0%
Are you a family member in the company?	Yes	53	63.1%
	No	31	36.9%
	Total	84	100.0%

The study sample consisted of 72 (85.7%) males and 12 (14.3%) females, most of them are family members in the companies (63.1%). Most of the ages for the respondents in the study sample are from 20- 39 (59.5%), and half of the respondents have bachelor degree (50%). The highest Years of experience for the respondents are (5- less than 10 years) and (15 years or above) with percentage (32.1%) for each of them. The distribution of the Job position for the study sample is : Directors of the Department (38.1%), Members of the Board of Directors (25%), Executive Directors (22.6%), and other positions (14.3%).

The table NO.2 shows the distribution of the business characteristics based on the respondents in the study sample:

**Table (2): Frequencies (N) and Percentages (%) of the business characteristics based on the respondents in the study sample.**

Variable	Group	N	%
Number of workers	Less than 20 employees	28	33.3%
	20-less than 50 employees	21	25.0%
	50-less than 100 employees	17	20.2%
	100 employees or above	18	21.4%
	Total	84	100.0%
Firm Age (Establishment	less than 5 years	7	8.3%

year)	5- less than 10 years	17	20.2%
	10-less than 15 years	19	22.6%
	15 years or above	41	48.8%
	Total	84	100.0%
Is there an approved internal system in the company by the Ministry of Labor?	Yes	66	78.6%
	No	18	21.4%
	Total	84	100.0%
Does the company have an external auditor?	Yes	77	91.7%
	No	7	8.3%
	Total	84	100.0%

### 3.1.4 The Study tools

- The researcher develops a questionnaire to study the reality of the governance of family businesses operating in the industrial sector in the Hebron Governorate. This study is developed based on previous studies and by benefiting from those specialized in the field of management. The questionnaire consists of two parts; the first part related to data expressing the characteristics of the sample and was based on demographic variables, and the second section includes paragraphs distributed over five principles of corporate governance: rights and obligations of shareholders, transparency, disclosure of information and auditing, the board of directors, executive management and CG commitment, the role of stakeholders; and corporate social responsibility.
- After that, the researcher constructs the main interview question to conduct interviews with some family businesses operating in the industrial sector in the Hebron Governorate, after giving them an illustrative description of the meaning of governance, with the aim of describing the reality of family business governance.

### 3.1.4.1 Reliability

Reliability analysis allows researchers to determine the extent to which the items in the questionnaire are related to each other. The questionnaire was validated by the Ph.D. professors. The reliability coefficient value represents the overall index of the repeatability or internal consistency of the scale (questionnaire) as a whole. Cronbach's alpha coefficient was used to estimate the internal consistency of the items of the questionnaire used for this study based on their sub-domains and the main domain. The study sub-domains in this study are: the rights and obligations of owners, the Transparency, disclosure of information and auditing, the Board of Directors and his responsibilities, the Executive management, and CG commitment, the role of stakeholders and corporate social responsibility. the main domain of the study is the total degree of the reality of corporate governance in family businesses in Palestine.

The table NO.3 shows the results of Cronbach's alpha coefficients for the study domains using the study sample of 84 questionnaires:

**Table(3): Cronbach's alpha coefficients for the study domains (N=84).**

Domain	Number of Items	Cronbachs' alpha
The rights and obligations of owners	12	0.80
The Transparency, disclosure of information and auditing	10	0.84
The Board of Directors and his responsibilities	12	0.90
The Executive management	12	0.90
CG commitment, the role of stakeholders and corporate social responsibility	13	0.92
Total degree of the reality of corporate governance in family businesses in Palestine	59	0.97

The results in the table above show that the values of Cronbach's alpha coefficients for the study domains are between 0.80-0.92, and the value of the Cronbach's alpha coefficient for the total degree of the study domains is 0.97, so the conclusion is that the questionnaire can reproduce the same results by (97%), indicating high internal consistency of the questionnaire and high reliability of the items, since these values of reliability measurements are greater than or equal to 70%, which is the least accepted value of reliability.

### 3.1.4.2 Validity

The validity of a questionnaire is the degree to which measures what it claims to measure, which is also called accuracy measurement. One of the most useful methods to measure validity is to calculate Pearson correlations between items and their total degrees in each part (factor or domain).

To achieve this type of validity, the study instrument (a questionnaire) is evaluated by some experts in the field of the study. The study questionnaire and objectives were sent to them to evaluate based on their experience if it corresponds and is compatible with the objectives of the study. On the other hand, the researcher conducted the content validity by computing the Pearson correlations between the total degree of each sub-domain and their items, this measures how much the items in each sub-domain are related to this domain, and so the extent of validity. The following are the results of Pearson correlations using the study sample of 84 respondents:

**Table(4):Pearson Correlation coefficients between the items and their total degrees of the study domains (N=84).**

<b>The rights and obligations of owners</b>			
No	Paragraph	Pearson Correlation	Significant Level
.1	Transferring ownership between owners is easy.	0.587	0.000

.2	Owners have the right to share the profits and receive it.	0.595	0.000
.3	Owners have the right to select and remove board members.	0.633	0.000
.4	The owners receive information about the company and the meetings are held regularly.	0.720	0.000
.5	Owners discuss the external auditor's report, and they have the right to inquire about the contents of the report.	0.588	0.000
.6	Owners are informed of all decisions that affect the company's strategic directions.	0.631	0.000
.7	All owners are treated equally regardless of the ownership percentage of each partner.	0.709	0.000
.8	Each owner has the right to access the company's accounts at any time he wants and without restrictions.	0.694	0.000
.9	Family members can join to the company if they have the qualifications appropriate to the requirements of the vacant position.	0.408	0.000
.10	There is an agreement between all partners about their personal financial withdrawals.	0.595	0.000
.11	There is a separation between the owners' personal financial receivables and the company's funds.	0.360	0.001
.12	The decision is concentrated in the hands of a someone of the family.	0.334	0.002
<b>The Transparency, disclosure of information and auditing</b>			
No	Paragraph	Pearson Correlation	Significant Level
.13	Financial and operational information is clear and easy to understand for all owners.	0.705	0.000
.14	The company's goals, vision and mission are clear.	0.720	0.000
.15	The company is annually audited by an external auditor.	0.662	0.000
.16	The information is clearly prepared and disclosed in accordance with international accounting standards.	0.688	0.000
.17	The loans granted to the company, including their conditions, interest, and repayment dates are clear to the owners.	0.514	0.000
.18	The company's policies and procedures are	0.707	0.000



	clear to all employees.		
.19	All results of completed reports are explained at the end of each time period.	0.592	0.000
.20	The confidentiality of information related to financial and administrative reports is maintained.	0.535	0.000
.21	The Audit Committee prepares a clear work programs and the Board of directors are discussed these programs.	0.697	0.000
.22	The job description is disclosed to all family members in the company.	0.641	0.000
<b>The Board of Directors and his responsibilities</b>			
No	Paragraph	Pearson Correlation	Significant Level
.23	Board of Directors recognize their responsibility to the company and the owners, and undertake to make decisions that advance the interests of stakeholders.	0.700	0.000
.24	The Board of Directors has the right to select and replace the company's executive directors.	0.692	0.000
.25	The Board of Directors supervises the disclosure process and obtains all information to conduct the company's work as planned.	0.798	0.000
.26	Board of Directors are prepared a strategic plan for the company.	0.765	0.000
.27	Board members demonstrate their commitment to their duties through frequent attendance at meetings and their active participation in decision making discussions.	0.707	0.000
.28	Board of Directors are setting a system for monitoring and evaluating performance within the company.	0.718	0.000
.29	The employees who are not family members are appointed to senior management positions in the company.	0.492	0.000
.30	There are specific standards for Annual bonuses.	0.728	0.000
.31	There is a clear salary scale in the company.	0.692	0.000
.32	The meetings conduct periodically and continuously in order to discuss the work in order to ensure its success and continuity.	0.755	0.000
.33	The Board of Directors are controlling the	0.696	0.000

	conflicts that occur between employees and family members.		
.34	The company has an advisory board that is distinguished by its competence and experience, and it is consulted before making decisions.	0.702	0.000
<b>The Executive management</b>			
No	Paragraph	Pearson Correlation	Significant Level
.35	The Executive Director is appointed by the Board of Directors with powers and qualifications appropriate to the position.	0.689	0.000
.36	The executive director's salary and bonuses are determined by the Board of Directors.	0.646	0.000
.37	The director appoints a representative to carry out his duties in his absence.	0.707	0.000
.38	Daily operations are managed by appointing department managers in a way that ensures business success.	0.767	0.000
.39	The executive management is setting a financial system that ensures the entry of all financial operations.	0.705	0.000
.40	All company activities are documented and archived, to ensure reference it if needed.	0.624	0.000
.41	The Commitment to working hours by all family and non-family employees is an important means of monitoring discipline.	0.639	0.000
.42	The evaluation process includes all levels of employees in the company, including senior management and board of directors.	0.667	0.000
.43	The company's management sets a clear instructions regarding employee incentives, whether they are members of the family or others.	0.787	0.000
.44	There is an approved internal system in the company and it is implemented.	0.698	0.000
.45	The company's employees from the family receive salaries according to their job position without discrimination.	0.669	0.000
.46	Employees receive orders from only one superior.	0.629	0.000

<b>CG commitment, the role of stakeholders and corporate social responsibility</b>			
No	Paragraph	Pearson Correlation	Significant Level
.47	The company recognizes the importance of social responsibility and works about it.	0.645	0.000
.48	The company contributes to social programs for workers outside work, such as entertainment centers and clubs.	0.792	0.000
.49	The company provides an insurance and pension system for workers.	0.701	0.000
.50	The company motivates employees to attend scientific and professional conferences and workshops.	0.767	0.000
.51	The company pays attention to consumers' suggestions and complaints and fulfills their requirements.	0.727	0.000
.52	The company accepts training for university, and college students during the study and after it.	0.611	0.000
.53	The company provides support and educational scholarships to the community.	0.793	0.000
.54	The company contributes to the establishment of schools, mosques and health centers,	0.831	0.000
.55	The company contributes to community development projects in marginalized areas.	0.865	0.000
.56	The company employs individuals with special needs.	0.431	0.000
.57	The company uses machine environmentally friendly even if their have a higher cost.	0.730	0.000
.58	The company contributes to providing alternative sources of energy needed for work.	0.639	0.000
.59	The company is committed to recycling industrial waste in a way that ensures no harm to the environment.	0.714	0.000

The results in the table NO.4 show that all Pearson correlations between the items and their total degrees of the study domains are significant (All Significant Levels < 0.05), indicating a high degree of content validity.

The table NO.5 shows the results of Pearson correlations between the total degree of each sub-domain and the total degree of the main domain, this measures the extent of construct validity.

**Table(5):Pearson Correlation coefficients between the total degree of each sub-domain and the total degree of the main domain (N=84).**

Domain	Pearson Correlation	Significant Level
The rights and obligations of owners	0.813	0.000
The Transparency, disclosure of information and auditing	0.911	0.000
The Board of Directors and his responsibilities	0.943	0.000
The Executive management	0.923	0.000
CG commitment, the role of stakeholders and corporate social responsibility	0.877	0.000

The results in the table NO.5 show that all Pearson correlations are significant between the total degree of each sub-domain and the total degree of the main domain (All Significant Levels < 0.05), indicating a high degree of construct validity.

Finally, since the content validity and the construct validity are validated for the questionnaire that was used in this research. We can conclude that the study instrument (the questionnaire) is capable of measuring what it sets out to measure.

### **3.1.5 interviews**

#### **3.1.5.1 Sample interviews**

The interviews were conducted with family business owners and executives in Hebron Governorate, and these interviews were conducted with some businesses operating in the industrial sector, which constitutes the study population.

#### **3.1.5.2 Constructing the interviews**

After developing the theoretical framework and reviewing previous studies and the researcher's experience in the field of working in family businesses, especially in the industrial sector, the researcher developed part of the questions related to governance principles with the aim of delving into the research and describing the reality of family business governance, benefiting from the multiplicity of viewpoints, and gaining the highest degree of credibility and accuracy in the results.

# Chapter Four

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## 4.1 Results and Analysis

This chapter introduces the analysis of the research domains with its items. It will also introduce the answers of the research questions.

### 4.1.1 The Analysis of the study questions

the analysis of the study questions based on the respondents' answers of the questionnaire and their perceptions and attitudes toward the reality of corporate governance in family businesses in Palestine.

**The main study question: What is the reality of corporate governance in family businesses in Palestine?**

The table NO.6 shows the total means, standard deviations, and percentage weights of the respondents perceptions toward the reality of corporate governance in family businesses in Palestine.

**Table (6): Means, Standard Deviations, and Percentage weights of the respondents' perceptions toward the reality of corporate governance in family businesses in Palestine.**

Domain	Mean	Standard Deviation	Percentage weight	Level
The rights and obligations of owners	3.98	0.52	79.5%	High
The Transparency, disclosure of information and auditing	3.98	0.59	79.5%	High
The Board of Directors and his responsibilities	3.91	0.66	78.1%	High
The Executive management	3.96	0.63	79.2%	High
CG commitment, the role of	3.94	0.67	78.8%	High

stakeholders and corporate social responsibility				
Total degree of the reality of corporate governance in family businesses in Palestine	3.95	0.55	79.0%	High

The results in the table NO.6 show that the total degree of the respondents' attitudes towards the reality of corporate governance in family businesses in Palestine is high, the mean value of the total degree is (3.95) with a percentage mean (79%), and the total standard deviation is (0.55).

The results also show that the highest degree is the reality of the rights and obligations of owners with (Mean= 3.98), which is high, and the degree of reality of transparency, disclosure of information, and auditing with (Mean= 3.98) which is high, the next is the degree of reality of the Executive management with (Mean= 3.96) which is high. The next is the degree of reality of the CG commitment, the role of stakeholders and corporate social responsibility with (Mean= 3.94) which is high, and the last degree is the reality of the Board of Directors and his responsibilities with (Mean= 3.91) which is high.

**The main question is partitioned in to the following sub questions:**

**Q1) What is the reality of rights and obligations of shareholders in family business?**

The table NO.7 shows the means, standard deviations, and percentage weights of the respondents' perceptions toward the reality of rights and obligations of shareholders in family business.

**Table (7): Means, Standard Deviations, and Percentage weights of the respondent's perceptions toward the reality of rights and obligations of shareholders in family businesses which sorted by importance.**

No.	P.No	The reality of rights and obligations of shareholders in family businesses	Mean	Standard Deviation	Percentage weight	Level
1.	6	Owners are informed of all decisions that affect the company's strategic directions.	4.23	0.66	84.5%	Very High
2.	11	There is a separation between the owners' personal financial receivables and the company's funds.	4.19	0.95	83.8%	High
3.	9	Family members can join to the company if they have the qualifications appropriate to the requirements of the vacant position.	4.14	0.82	82.9%	High
4.	2	Owners have the right to share the profits and receive it.	4.13	0.77	82.6%	High
5.	4	The owners receive information about the company and the meetings are held regularly.	4.06	0.75	81.2%	High
6.	5	Owners discuss the external auditor's report, and they have the right to inquire about the contents of the report.	4.04	0.87	80.7%	High
7.	7	All owners are treated equally regardless of the ownership percentage of each partner.	4.00	0.93	80.0%	High
8.	10	There is an agreement between all partners about their personal financial withdrawals.	3.96	0.91	79.3%	High
9.	8	Each owner has the right to access the company's accounts at any time he wants and without restrictions.	3.93	1.07	78.6%	High
10.	3	Owners have the right to select and remove board members.	3.73	0.96	74.5%	High
11.	1	Transferring ownership between owners is easy.	3.67	1.10	73.3%	High
12.	12	The decision is concentrated in the hands of a someone of the family.	3.64	1.13	72.9%	High
		Total Degree	3.98	0.52	79.5%	High



The results in the table NO.7 show means, standard deviations, and percentage weights of the reality of rights and obligations of shareholders in family business items. The items were sorted descending by means; and the total value of the mean is (3.98) and the percentage weight is (79.5%), and the standard deviation is (0.52), indicating that the respondents' attitudes toward the reality of rights and obligations of shareholders in family business are high.

The highest paragraphs based on the mean values are as the following: the paragraph (Owners are informed of all decisions that affect the company's strategic directions) with mean (4.23) and standard deviation (0.66), the paragraph (There is a separation between the owners' personal financial receivables and the company's funds) with mean (4.19) and standard deviation (0.95), the paragraph (Family members can join the company if they have the qualifications appropriate to the requirements of the vacant position) with mean (4.14) and standard deviation (0.82), the paragraph (Owners have the right to share the profits and receive it) with mean (4.13) and standard deviation (0.77).

On the other hand, the lowest paragraphs based on the mean values are: the paragraph (The decision is concentrated in the hands of someone of the family) with mean (3.64) and standard deviation (1.13), the paragraph (Transferring ownership between owners is easy) with mean (3.67) and standard deviation (1.1), the paragraph (Owners have the right to select and remove board members) with mean (3.73) and standard deviation (0.96), the paragraph (Each owner has the right to access the company's accounts at any time he wants and without restrictions) with mean (3.93) and standard deviation (1.07).

According to the highest attitudes of the respondents, the following conclusions can be obtained: Owners are informed of all decisions that affect the company's strategic directions, there is a separation between the owners' personal financial receivables and the company's

funds, family members can join to the companies if they have the qualifications appropriate to the requirements of the vacant position, owners have the right to share the profits and receive it, the owners receive information about the company and the meetings are held regularly, owners discuss the external auditor's report, and they have the right to inquire about the contents of the report, all owners are treated equally regardless of the ownership percentage of each partner, there is an agreement between all partners about their personal financial withdrawals, each owner has the right to access the company's accounts at any time he wants and without restrictions, owners have the right to select and remove board members, transferring ownership between owners is easy, the decision is concentrated in the hands of a someone of the family.

**Q2) What is the reality of transparency, disclosure of information and auditing in family business?**

The table NO.8 shows the means, standard deviations, and percentage weights of the respondents' perceptions toward the reality of transparency, disclosure of information and auditing in family business.

**Table (8): Means, Standard Deviations, and Percentage weights of the respondent's perceptions toward the reality of transparency, disclosure of information and auditing in family businesses which sorted by importance.**

No.	P.No	The reality of transparency, disclosure of information and auditing in family businesses	Mean	Standard Deviation	Percentage weight	Level
13.	20	The confidentiality of information related to financial and administrative reports is maintained.	4.37	0.67	87.4%	Very High
14.	18	The company's policies and procedures are clear to all employees.	4.17	0.80	83.3%	High
15.	13	Financial and operational information is clear and easy to understand for all owners.	4.15	0.81	83.1%	High

16.	15	The company is annually audited by an external auditor.	4.15	0.96	83.1%	High
17.	14	The company's goals, vision and mission are clear.	4.13	0.92	82.6%	High
18.	16	The information is clearly prepared and disclosed in accordance with international accounting standards.	3.92	0.92	78.3%	High
19.	21	The Audit Committee prepares a clear work programs and the Board of directors are discussed these programs.	3.88	0.97	77.6%	High
20.	19	All results of completed reports are explained at the end of each time period.	3.82	0.81	76.4%	High
21.	22	The job description is disclosed to all family members in the company.	3.75	1.12	75.0%	High
22.	17	The loans granted to the company, including their conditions, interest, and repayment dates are clear to the owners.	3.42	1.15	68.3%	High
		Total Degree	3.98	0.59	79.5%	High

The results in the table NO.8 show means, standard deviations, and percentage weights of the reality of transparency, disclosure of information and auditing in family business. The items sorted descending by means; and the total value of the mean is (3.98) and the percentage weight is (79.5%), and the standard deviation is (0.59), indicating that the respondents' attitudes toward the reality of transparency, disclosure of information, and auditing in family business are high.

The highest paragraph based on the mean values are as follows: the paragraph (The confidentiality of information related to financial and administrative reports is maintained) with mean (4.37) and standard deviation (0.67), the paragraph (The company's policies and procedures are clear to all employees) with mean (4.17) and standard deviation (0.8), the paragraph (Financial and operational information is clear and easy to understand for all

owners) with mean (4.15) and standard deviation (0.81), the paragraph (The company is annually audited by an external auditor) with mean (4.15) and standard deviation (0.96).

On the other hand, the lowest paragraphs based on the mean values are: the paragraph (The loans granted to the company, including their conditions, interest, and repayment dates are clear to the owners) with mean (3.42) and standard deviation (1.15), the paragraph (The job description is disclosed to all family members in the company) with mean (3.75) and standard deviation (1.12), the paragraph (All results of completed reports are explained at the end of each time period) with mean (3.82) and standard deviation (0.81), the paragraph (The Audit Committee prepares a clear work programs and the Board of directors discuss these programs) with mean (3.88) and standard deviation (0.97).

According to the highest attitudes of the respondents, the following conclusions can be obtained: the confidentiality of information related to financial and administrative reports is maintained, the company's policies and procedures are clear to all employees, financial and operational information is clear and easy to understand for all owners, the companies are annually audited by an external auditors, the company's goals, vision and mission are clear, the information is clearly prepared and disclosed in accordance with international accounting standards, the Audit Committee prepares a clear work programs and the Board of directors are discussed these programs, all results of completed reports are explained at the end of each time period, the job description is disclosed to all family members in the companies, the loans granted to the companies, including their conditions, interest, and repayment dates are clear to the owners.

### Q3) What is the reality of board of directors in family business?

The table NO.9 shows the means, standard deviations, and percentage weights of the respondents' perceptions toward the reality of board of directors in family business.

**Table (9): Means, Standard Deviations, and Percentage weights of the respondent's perceptions toward the reality of board of directors in family businesses which sorted by importance.**

No.	P.No	The reality of board of directors in family businesses	Mean	Standard Deviation	Percentage weight	Level
23.	23	Board of Directors recognize their responsibility to the company and the owners, and undertake to make decisions that advance the interests of stakeholders.	4.24	0.86	84.8%	Very High
24.	33	The Board of Directors are controlling the conflicts that occur between employees and family members.	4.06	.812	81.2%	High
25.	24	The Board of Directors has the right to select and replace the company's executive directors.	4.04	0.88	80.7%	High
26.	32	The meetings conduct periodically and continuously in order to discuss the work in order to ensure its success and continuity.	4.00	0.91	80.0%	High
27.	25	The Board of Directors supervises the disclosure process and obtains all information to conduct the company's work as planned.	3.99	0.84	79.8%	High
28.	26	Board of Directors are prepared a strategic plan for the company.	3.94	0.94	78.8%	High
29.	27	Board members demonstrate their commitment to their duties through frequent attendance at meetings and their active participation in decision making discussions.	3.90	0.86	78.1%	High
30.	30	There are specific standards for Annual bonuses.	3.88	0.99	77.6%	High
31.	28	Board of Directors are setting a system for monitoring and evaluating performance	3.81	0.98	76.2%	High

		within the company.				
32.	31	There is a clear salary scale in the company.	3.77	1.00	75.5%	High
33.	29	The employees who are not family members are appointed to senior management positions in the company.	3.65	1.10	73.1%	High
34.	34	The company has an advisory board that is distinguished by its competence and experience, and it is consulted before making decisions.	3.60	1.121	71.9%	High
		Total Degree	3.91	0.66	78.1%	High

The results in the table NO.9 show means, standard deviations, and percentage weights of the reality of board of directors in family business items. The items were sorted descending by means; and the total value of the mean is (3.91) and the percentage weight is (78.1%), and the standard deviation is (0.66), indicating that the respondents' attitudes toward the reality of board of directors in family business are high.

The highest paragraphs based on the mean values are as follows: the paragraph (Board of Directors recognize their responsibility to the company and the owners, and undertake to make decisions that advance the interests of stakeholders) with mean (4.24) and standard deviation (0.86), the paragraph (The Board of Directors are controlling the conflicts that occur between employees and family members) with mean (4.06) and standard deviation (0.812), the paragraph (The Board of Directors has the right to select and replace the company's executive directors) with mean (4.04) and standard deviation (0.88), the paragraph (The meetings conduct periodically and continuously in order to discuss the work in order to ensure its success and continuity) with mean (4) and standard deviation (0.91).

On the other hand, the lowest paragraphs based on the mean values are: the paragraph (The company has an advisory board that is distinguished by its competence and experience, and it is consulted before making decisions) with mean (3.6) and standard deviation (1.121), the paragraph (The employees who are not family members are appointed to senior management positions in the company) with mean (3.65) and standard deviation (1.1), the paragraph (There is a clear salary scale in the company) with mean (3.77) and standard deviation (1), the paragraph (Board of Directors are setting a system for monitoring and evaluating performance within the company) with mean (3.81) and standard deviation (0.98).

According to the highest attitudes of the respondents, the following conclusions can be obtained: Board of Directors recognize their responsibility to the companies and the owners, and undertake to make decisions that advance the interests of stakeholders, the Board of Directors are controlling the conflicts that occur between employees and family members, the Board of Directors has the right to select and replace the company's executive directors, the meetings conduct periodically and continuously in order to discuss the work in order to ensure its success and continuity, the Board of Directors supervises the disclosure process and obtains all information to conduct the company's work as planned, board of Directors are prepared a strategic plan for the company, board members demonstrate their commitment to their duties through frequent attendance at meetings and their active participation in decision making discussions, there are specific standards for Annual bonuses, Board of Directors are setting a system for monitoring and evaluating performance within the companies, there are a clear salary scales in the companies, the employees who are not family members are appointed to senior management positions in the company, the companies have advisory boards that are distinguished by their competences and experiences, and they are consulted before making decisions.

#### Q4) What is the reality of executive management in family business?

The table NO.10 shows the means, standard deviations, and percentage weights of the respondents' perceptions toward the reality of executive management in family business.

**Table (10): Means, Standard Deviations, and Percentage weights of the respondent's perceptions toward the reality of executive management in family businesses which sorted by importance.**

No.	P.No	The reality of executive management in family businesses	Mean	Standard Deviation	Percentage weight	Level
35.	40	All company activities are documented and archived, to ensure reference it if needed.	4.25	0.69	85.0%	Very High
36.	35	The Executive Director is appointed by the Board of Directors with powers and qualifications appropriate to the position.	4.19	0.86	83.8%	High
37.	41	The Commitment to working hours by all family and non-family employees is an important means of monitoring discipline.	4.19	0.87	83.8%	High
38.	38	Daily operations are managed by appointing department managers in a way that ensures business success.	4.08	0.88	81.7%	High
39.	45	The company's employees from the family receive salaries according to their job position without discrimination.	4.04	0.95	80.7%	High
40.	39	The executive management is setting a financial system that ensures the entry of all financial operations.	4.01	0.81	80.2%	High
41.	44	There is an approved internal system in the company and it is implemented.	3.96	0.87	79.3%	High
42.	36	The executive director's salary and bonuses are determined by the Board of Directors.	3.90	0.94	78.1%	High
43.	42	The evaluation process includes all levels of employees in the company, including senior management and board of directors.	3.80	0.97	76.0%	High
44.	37	The director appoints a representative to carry out his duties in his absence.	3.75	0.99	75.0%	High



45.	46	Employees receive orders from only one superior.	3.68	1.17	73.6%	High
46.	43	The company's management sets a clear instructions regarding employee incentives, whether they are members of the family or others.	3.67	1.05	73.3%	High
		Total Degree	3.96	0.63	79.2%	High

The results in the table NO.10 show means, standard deviations, and percentage weights of the reality of executive management in family business items. The items were sorted descending by means; and the total value of the mean is (3.96), and the percentage weight is (79.2%), and the standard deviation is (0.63), indicating that the respondents' attitudes toward the reality of executive management in family business are high.

The highest paragraphs based on the mean values are as follows: the paragraph (All company activities are documented and archived, to ensure reference it if needed) with mean (4.25) and standard deviation (0.69), the paragraph (The Executive Director is appointed by the Board of Directors with powers and qualifications appropriate to the position) with mean (4.19) and standard deviation (0.86), the paragraph (commitment to working hours by all family and non-family employees is an important means of monitoring discipline) with mean (4.19) and standard deviation (0.87), the paragraph (Daily operations are managed by appointing department managers in a way that ensures business success) with mean (4.08) and standard deviation (0.88).

On the other hand, the lowest paragraphs based on the mean values are: the paragraph (The company's management sets a clear instructions regarding employee incentives, whether they are members of the family or others) with mean (3.67) and standard deviation (1.05), the paragraph (Employees receive orders from only one superior) with mean (3.68) and standard

deviation (1.17), the paragraph (The director appoints a representative to carry out his duties in his absence) with mean (3.75) and standard deviation (0.99), the paragraph (The evaluation process includes all levels of employees in the company, including senior management and board of directors) with mean (3.8) and standard deviation (0.97).

According to the highest attitudes of the respondents, the following conclusions can be obtained: The results also showed that all companies activities are documented and archived, to ensure reference them if needed, the Executive Directors are appointed by the Board of Directors with powers and qualifications appropriate to the position, the Commitment to working hours by all family and non-family employees is an important means of monitoring discipline, daily operations are managed by appointing department managers in a way that ensures business success, the company's employees from the family receive salaries according to their job position without discrimination, the executive management is setting a financial system that ensures the entry of all financial operations, there are an approved internal systems in the companies and they are implemented, the executive director's salary and bonuses are determined by the Board of Directors, the evaluation process includes all levels of employees in the companies, including senior management and board of directors, the directors appoint a representative to carry out their duties in their absence, employees receive orders from only one superior, the company's management sets a clear instructions regarding employee incentives, whether they are members of the family or others.

**Q5) What is the reality of CG commitment, the role of stakeholders and corporate social responsibility in family business?**

The table NO.11 shows the means, standard deviations, and percentage weights of the respondents' perceptions toward the reality of CG commitment, the role of stakeholders, and corporate social responsibility in family business.

**Table (11): Means, Standard Deviations, and Percentage weights of the respondent's perceptions toward the reality of CG commitment, the role of stakeholders and corporate social responsibility in family businesses which sorted by importance.**

No.	P.No	The reality of CG commitment, the role of stakeholders and corporate social responsibility in family businesses	Mean	Standard Deviation	Percentage weight	Level
47.	59	The company is committed to recycling industrial waste in a way that ensures no harm to the environment.	4.37	0.79	87.4%	Very High
48.	51	The company pays attention to consumers' suggestions and complaints and fulfills their requirements.	4.35	0.70	86.9%	Very High
49.	52	The company accepts training for university, and college students during the study and after it.	4.19	0.74	83.8%	High
50.	47	The company recognizes the importance of social responsibility and works about it.	4.13	0.99	82.6%	High
51.	57	The company uses machine environmentally friendly even if their have a higher cost.	4.10	0.93	81.9%	High
52.	58	The company contributes to providing alternative sources of energy needed for work.	3.98	0.93	79.5%	High
53.	53	The company provides support and educational scholarships to the community.	3.98	0.98	79.5%	High
54.	49	The company provides an insurance and pension system for workers.	3.95	1.03	79.0%	High
55.	54	The company contributes to the establishment of schools, mosques and health centers,	3.85	1.00	76.9%	High
56.	50	The company motivates employees to attend scientific and professional conferences and workshops.	3.62	0.97	72.4%	High
57.	55	The company contributes to community development projects in marginalized areas.	3.62	1.02	72.4%	High
58.	48	The company contributes to social programs for workers outside work, such as entertainment centers and clubs.	3.57	1.03	71.4%	High
59.	56	The company employs individuals with special needs.	3.56	1.09	71.2%	High
		Total Degree	3.94	0.67	78.8%	High

The results in the table NO.11 show means, standard deviations, and percentage weights of the reality of CG commitment, the role of stakeholders, and corporate social responsibility in family business items. The items were sorted descending by means; and the total value of the mean is (3.94), and the percentage weight is (78.8%), and the standard deviation is (0.67), indicating that the respondents' attitudes toward the reality of CG commitment, the role of stakeholders and corporate social responsibility in family business are high.

The highest paragraphs based on the mean values are as follows: the paragraph (The company is committed to recycling industrial waste in a way that ensures no harm to the environment) with mean (4.37) and standard deviation (0.79), the paragraph (The company pays attention to consumers' suggestions and complaints and fulfills their requirements) with mean (4.35) and standard deviation (0.7), the paragraph (The company accepts training for university, and college students during the study and after it) with mean (4.19) and standard deviation (0.74), the paragraph (The company recognizes the importance of social responsibility and works about it) with mean (4.13) and standard deviation (0.99).

On the other hand, the lowest paragraphs based on the mean values are: the paragraph (The company employs individuals with special needs) with mean (3.56) and standard deviation (1.09), the paragraph (The company contributes to social programs for workers outside work, such as entertainment centers and clubs) with mean (3.57) and standard deviation (1.03), the paragraph (The company contributes to community development projects in marginalized areas) with mean (3.62) and standard deviation (1.02), the paragraph (The company motivates employees to attend scientific and professional conferences and workshops) with mean (3.62) and standard deviation (0.97).

According to the highest attitudes of the respondents, the following conclusions can be obtained: the companies are committed to recycling industrial waste in a way that ensures no

harm to the environment, the companies pay attention to consumers' suggestions and complaints and fulfill their requirements, the companies accept training for university, and college students during the study and after it, the companies recognize the importance of social responsibility and work about it, the companies use machine environmentally friendly even if they have a higher cost, the companies contribute to providing alternative sources of energy needed for work, the companies provide support and educational scholarships to the community, the companies provide an insurance and pension system for workers, the companies contribute to the establishment of schools, mosques and health centers, the companies motivate employees to attend scientific and professional conferences and workshops, the companies contribute to community development projects in marginalized areas, the companies contribute to social programs for workers outside work, such as entertainment centers and clubs, the companies employ individuals with special needs.

#### **4.1.2 Analysis of Interviews**

**The first interview was with one of the company's owners' sons, who works in the company and his answers were as follows:**

- The respondent said that while implementing the governance structure is desirable and highly vital, but it is very difficult.
- The owners have the right to oversee the work, keep their authority, and not transfer it to anyone else because they are aware of all the challenges the business presents and how it operates.
- A reluctance to adopt governance may stem from a fear of losing control and assigning authority.
- There is a glaring difference in the views held about governance depending on the owner's mindset and the generations that have come before it.

- All decisions are focused on the hands of primary owners, especially financial decisions, and they are concentrated on the hands of fathers more than children.
- The present generations don't share their opinions about the financial aspects because they don't know anything about them.
- Meetings are purely coincidental and take place only in response to serious and infrequent issues. Meetings are seldom held because of the several owners' obligations and the insufficient time available for them, which made them irrelevant.
- The owners' dedication to work and its hours, as well as the duty and limitations placed on family members, as well as infractions and discounts, are all part of the company's culture (work is work).
- It is up to senior management to decide.
- In general, people in this country are highly committed to social responsibility.
- When conflicts occur between owners, which vary in size and impact, the ideal solution for such conflicts is to neutralize the forces, so that the final decision is clear and irreversible, and the work may be affected by these decisions, as it may take its time or move quickly, and all of this varies from one business to another.
- The corporation has an internal structure with authorized guidelines and rules, but they are not followed exactly. The most important is that employees are given their rights.

**The second interview was conducted with the company owner and director, and his answers were as follows:**

- Every owner of the company has a certain responsibility to fulfill, and no owner takes a particular action without first contacting the other owners.
- The financial statements are only accessible to owners and partners.
- The meetings are conducted frequently to discuss important issues.

- There is an internal system that has been approved by the Ministry of Labor; all employees have their rights reserved, and the guidelines and directives for this system are quite clear.
- Employee issues at the company don't happen too often.
- Owners have known about corporate governance through chambers of commerce and think it's vital, but they don't know enough about it to put it into practice.
- Regardless of who manages the business, the owners are crucial to its success since without them, success is difficult. Work requires owners and their experience.
- Environmental preservation and recycling of industrial waste are the only ways in which social responsibility for the environment is viewed.
- Any effort toward social responsibility for the community, regardless of size, must be discussed with and approved by all partners and owners.
- Every partner and owner has a system for their personal withdrawals.

**In the third interview with the company's CEO, the answers were as follows:**

- Governance is well-known and accepted, yet its implementation is challenging and ineffective.
- Meetings are conducted periodically and in proportion to the owners' work.
- Any more generations there are, that means more challenging it is to resolve the ongoing disputes between owners, brothers, and sons.
- Not everyone of the owners has seen the financial information, just the fathers who control the work and run it.
- There is consensus on personal withdrawals.
- Decisions are made by a certain set of family members.
- There is no financial transparency or disclosure of the company's information.

- Only significant first-generation owners are aware of the Company's financial and non-financial responsibilities, and authority is not transferred until after problems arise.
- Youngsters adopt their upbringing, their fathers' methods, and their labors without modification.
- The job description provided by the business lacks clarity.
- There is a real and intangible difference between family and non-family members.
- Board of Directors is not real.
- Unfair hiring practices exist for both positions and pay.
- The rules of procedure in the company have approved by the Ministry of Labor, but they are not being followed effectively by the company.
- The Executive Director adapts to the working conditions specified by the owners.

**In the fourth interview conducted with the company owner and one of its founders, the answers were as follows:**

- There is an effort to implement governance, but implementation is very difficult.
- The problem gets increasingly complex as more generations go by.
- There is authority delegation, but it is managed and owned by the owners.
- The success of the business is correlated with both management and staff.
- It's crucial for the business to separate management from ownership, but doing so might require the consent of all partners and their acceptance of the concept.
- Responsibility for working in family businesses extends to the family, which make corporate governance challenging.
- Managers other than family members be involved in decision-making.
- Social responsibility is very important.



- The company's major purpose is to increase profits and cut expenses, but it also accomplishes social responsibility through these tactics. These themes include solar panels and industrial waste recycling.
- Meetings are uncommon and are simply discussions without research.
- Conflicts between owners persist and are difficult to manage.
- Orders are given by more than one person, which constitutes duplication of work.
- Not every owner is aware of every detail regarding the obligations of the business and the loans that have been made.

**The last interview was conducted with an executive director who is not a family member, the answers were as follows:**

- Corporate governance is an essential topic that is frequently discussed, but without clarifying its positive benefits.
- The company's owners believe that governance means abandoning management and losing control, and thus fear of the results.
- There is delegation of authority, but it is accompanied by meddling from the owners and their children in the way that work is carried out.
- Family tendencies affect work plans, which aim to achieve a clear system and control the administrative process in its correct form.
- The Board of Directors consists of family members, which means they are always involved in every detail of the work.
- The business has ambitions to implement governance, but control remains with the family.
- Disputes and conflicts continue without a radical end to the problems.

- Linking the family difficulties with business and link how it operates to the mood of the owner and his children and their continuing fights.
- Connecting work and family problems.
- Financial reports are continuously prepared, and all owners are informed and given clarification on the outcomes.
- Social responsibility is applied because the family prefers to provide assistance. Nevertheless, its application is sometimes aimed at achieving the business's own interests and achieving certain goals.

# Chapter Five

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## **5.1 Discussion of results and recommendations**

### **5.1.1 Summary of the results based on the study questions:**

**The main study question: What is the reality of corporate governance in family businesses in Palestine?**

The results show that the total degree of the respondents' attitudes towards the reality of corporate governance in family businesses in Palestine is high,

The results also show that the highest degree is the reality of the rights and obligations of owners which is high, and the degree of reality of the transparency, disclosure of information and auditing which is high, the next is the degree of reality of the executive management which is high. The next is the degree of reality of the CG commitment, the role of stakeholders, and corporate social responsibility which is high, and the last degree is the reality of the Board of Directors and his responsibilities which is high.

**The main question is partitioned in to the following sub questions:**

**Q1) what is the reality of rights and obligations of shareholders in family business?**

The results show that the respondents' attitudes toward the reality of rights and obligations of shareholders in family business are high.

The results also show that Owners are informed of all decisions that affect the company's strategic directions, there is a separation between the owners' personal financial receivables and the company's funds, family members can join to the companies if they have the

qualifications appropriate to the requirements of the vacant position, owners have the right to share the profits and receive it, the owners receive information about the company and the meetings are held regularly, owners discuss the external auditor's report, and they have the right to inquire about the contents of the report, all owners are treated equally regardless of the ownership percentage of each partner, there is an agreement between all partners about their personal financial withdrawals, each owner has the right to access the company's accounts at any time he wants and without restrictions, owners have the right to select and remove board members, transferring ownership between owners is easy, the decision is concentrated in the hands of a someone of the family.

**Q2) What is the reality of transparency, disclosure of information and auditing in family business?**

The results show that the respondents' attitudes toward the reality of transparency, disclosure of information and auditing in family business are high.

The results also show that the confidentiality of information related to financial and administrative reports is maintained, the company's policies and procedures are clear to all employees, financial and operational information is clear and easy to understand for all owners, the companies are annually audited by an external auditors, the company's goals, vision and mission are clear, the information is clearly prepared and disclosed in accordance with international accounting standards, the Audit Committee prepares a clear work programs and the Board of directors are discussed these programs, all results of completed reports are explained at the end of each time period, the job description is disclosed to all family members in the companies, the loans granted to the companies, including their conditions, interest, and repayment dates are clear to the owners.

### **Q3) What is the reality of board of directors in family business?**

The results show that the respondents' attitudes toward the reality of board of directors in family business are high.

The results also show that Board of Directors recognize their responsibility to the companies and the owners, and undertake to make decisions that advance the interests of stakeholders, the Board of Directors are controlling the conflicts that occur between employees and family members, the Board of Directors has the right to select and replace the company's executive directors, the meetings conduct periodically and continuously in order to discuss the work in order to ensure its success and continuity, the Board of Directors supervises the disclosure process and obtains all information to conduct the company's work as planned, board of Directors are prepared a strategic plan for the company, board members demonstrate their commitment to their duties through frequent attendance at meetings and their active participation in decision making discussions, there are specific standards for Annual bonuses, Board of Directors are setting a system for monitoring and evaluating performance within the companies, there are a clear salary scales in the companies, the employees who are not family members are appointed to senior management positions in the company, the companies have advisory boards that are distinguished by their competences and experiences, and they are consulted before making decisions.

### **Q4) What is the reality of executive management in family business?**

The results show that the respondents' attitudes toward the reality of executive management in family business are high.

The results also show that all companies activities are documented and archived, to ensure reference them if needed, the Executive Directors are appointed by the Board of Directors

with powers and qualifications appropriate to the position, the Commitment to working hours by all family and non-family employees is an important means of monitoring discipline, daily operations are managed by appointing department managers in a way that ensures business success, the company's employees from the family receive salaries according to their job position without discrimination, the executive management is setting a financial system that ensures the entry of all financial operations, there are an approved internal systems in the companies and they are implemented, the executive director's salary and bonuses are determined by the Board of Directors, the evaluation process includes all levels of employees in the companies, including senior management and board of directors, the directors appoint a representative to carry out their duties in their absence, employees receive orders from only one superior, the company's management sets a clear instructions regarding employee incentives, whether they are members of the family or others.

**Q5) What is the reality of CG commitment, the role of stakeholders and corporate social responsibility in family business?**

The results show that the respondents' attitudes toward the reality of CG commitment, the role of stakeholders and corporate social responsibility in family business are high.

The results also show that the companies are committed to recycling industrial waste in a way that ensures no harm to the environment, the companies pay attention to consumers' suggestions and complaints and fulfill their requirements, the companies accept training for university, and college students during the study and after it, the companies recognize the importance of social responsibility and works about it, the companies use machine environmentally friendly even if their have a higher cost, the companies contribute to providing alternative sources of energy needed for work, the companies provide support and educational scholarships to the community, the companies provide an insurance and pension

system for workers, the companies contribute to the establishment of schools, mosques and health centers, the companies motivate employees to attend scientific and professional conferences and workshops, the companies contribute to community development projects in marginalized areas, the companies contribute to social programs for workers outside work, such as entertainment centers and clubs, the companies employ individuals with special needs.

### **5.1.2 Discussion of results**

- The total degree of the respondents' attitudes towards the reality of corporate governance in family businesses in Palestine in Hebron Governorate is high.
- The results indicated that the respondents' highest perceptions about the reality of family business governance were that the owners' rights and obligations are preserved and guaranteed, so that they obtain all their rights while fulfilling all of their duties, and the company discloses all financial and operational information related to it, and an annual audit is conducted, in addition to their perceptions indicating the presence of a board of directors that would carry out the tasks assigned to them, and enable employees, both family members and non-family members to complete the company's work. In addition to the above, social responsibility is adopted as a basis for work and as a necessity to achieve the interests of companies, which indicates high results about the reality of family business governance.
- The results showed that there is a guarantee for the rights and obligations of the owners. According to the results, their rights are dealt with in a specific mechanism since they are family members. 79.5% of the respondents' opinions confirmed the existence of mechanisms that guarantee the rights. The owners are informed of all decisions that affect the direction of the company and its strategic direction. There is a

separation between the company's financial receivables and personal withdrawals, and this was confirmed by the interviews conducted by the researcher. Any financial detail related to the partners is made clear to everyone to guarantee rights. There are also family members who have the opportunity to work for the company, if they have the qualifications. According to the answers of the interviewees, the children have been going to work since childhood with their fathers, which means they were integrated into work from the beginning, and this is what justifies the high results in this regard, as the researcher concludes. And the results showed that the owners were able to receive their revenues from the company. This result is reinforced by the fact that family businesses are private-sector businesses whose owners want to increase earnings and wealth.

- The results of the study showed that, at a rate of 72.9%, there is a concentration of decisions in the hands of a group of the family, and this result was confirmed by the researcher through the interviews that were conducted, as their answers indicated that the final decision rests with the manager who owns the company or its founder, because he has the experience and is the best person to manage. They know the work and all its details more than others. The owners believe they have the right to make the decision since they are aware of all the barriers and obstacles associated with the work and have the experience to finish it. The results of Shabanas' study, which talked about the problems facing family companies and ways to develop them, confirmed that the control of a group of owners over family companies puts the decisions in the hands of a group of owners, and the decisions that the owners seek to implement are often for the sake of preserving the company and its continuity, so the problems that may arise are dealt with superficially and without studying or using scientific methods.



- The results of the study indicated that family companies are committed to disclosure, transparency, and auditing at a rate of 79.5%, which is represented by disclosing administrative and financial aspects and providing financial reports during work. The company's goals, vision, and mission are clear and disclosed, and companies adopt accounting standards when entering their data. The researcher justifies this by saying family businesses seek to continue and maintain business. The results also indicated that 75% of respondents confirmed that there is a clear job disclosure for all members of the family, and the results of some interviews confirmed that the company's culture includes the commitment of the owners and their children to working hours, which justifies the high percentage. This is due to what was confirmed by the previous results that the owner believes that the final solution to work problems is in the hands of the business owner because he has sufficient experience as stated in the interviews.
- The results of the study indicated that the Board of Directors exists as an approved principle at a rate of 78.1%, which means that there is a Board of Directors in the company that is aware of its responsibility and has the right to choose and replace the company's executive directors, and through it a strategic plan for the company is prepared and meetings are attended and participated in in order to make decisions. It is also done by monitoring performance and system, but this result differed from some of the opinions obtained during the interviews, which confirmed that there is no actual board of directors and that meetings take place when an essential problem occurs and is related to business continuity, In addition, they argue that there are no fair standards for appointment or determining annual bonuses for family and non-family employees. The researcher explains that family companies have a board of directors made up entirely of family members who have maintained the same administrative values since their establishment, and the presence of a family member has a positive impact on the

work of Through full participation in work and maintaining the same cultural values since its founding, Furthermore, Companies' success can be attributed to their commitment to retaining cultural values, keeping up with modern business trends, and adhering to their fundamental financial values, and this is what was confirmed by the results of Al-Sharbati's study.

- The high results for the principle of executive management indicated that there is an executive director who carries out the tasks assigned to him and uses the powers delegated to him, provided that daily operations are managed and managers for departments and divisions are appointed and there is a commitment from all employees, both family members and non-family members, to working hours. This was confirmed by some of the interviews that were conducted in this regard, as the owners' children are committed to the work. They believe that the final decision to overcome the obstacles is to intervene in all aspects of the work and build on their past experience, as described in the previous results. The interviews in this regard confirmed that managers are appointed when they are members of the family, and if they are not members of the family, their powers are limited. Also, they cannot make unusual judgments until they return to their business owner. Therefore, we find that limited powers impose some restrictions on workers who are not family members, and this confirms what was confirmed by the answers of the interviewees regarding loss of control over the work. If delegation occurs on the grounds that they are the only ones capable of solving problems in their view, and the researcher justified this by saying that executive managers adapt to what the owner requires of them, then they do not have the right to exert personal effort and work without consulting the owner in all decisions. The researcher explained the existence of an approved internal system in

family businesses by pointing out that these systems are often used as tools to further the company's objectives and protocols, even in the absence of real use.

- The results of this study showed that family businesses in Hebron Governorate are aware of the importance of social responsibility, such that they contribute to participating in programs to empower employees and motivate them to attend conferences and workshops, they also show an interest in listening to customer feedback and a willingness to fulfill their needs. In addition to that, they support the local community by helping to construct mosques, schools, and health centers. Finally, businesses also use alternative sources to save energy and commit to treating industrial waste. Moreover, which reinforces what Al-Jabari's study stated, social responsibility is represented by the company's orientations towards employees, consumers, society and the environment, and not only towards the environment as is known, The interviews that were conducted also confirmed that social responsibility is important and is being implemented, From the perspective of the researcher, this might be because Hebron is a morally upright, conservative, and religious nation, and it is seen that the founder's vision is for the company to grow and continue for future generations and its success should make the family proud. Therefore, the owners always strive to gain the satisfaction of customers, the trust of the community and a good reputation, because this is due to the family itself, as Al-Harbawi's study confirmed it. The researcher also explains the high results which means the family businesses attempt to deliver advantages in a way that promotes the concept of social responsibility in order to fulfill their interests and economic objectives, this is what the interviews confirmed, as high due to its relevance to the company's interests and aims.

### 5.1.3 Interview results

- The researcher presented the idea to the people who were interviewed face-to-face, recorded their observations, and took their reactions and opinions about governance. However, it is important to point out that most of the company owners who were approached to fill out the questionnaire refused to fill it out for fear of giving the information.
- In order to supplement the questionnaire results, the researcher conducted interviews with multiple companies in the Hebron Governorate. Through these conversations, the reality of family business governance emerged, which was different from the questionnaire results in some points. These conversations took place, the owners provided a clear picture of all the challenges and issues facing family businesses generally, and they clarified that the business cannot be managed other than through corporate governance. The study involved the owners and non-owners of the company's management. The results were clear and consistent in their presentation and clarification of the general and comprehensive picture of the concept of corporate governance.
- Regarding the responses from non-owners, such as managers and decision makers, they concurred with the owners' assertions that authority is subject to limitations, that family issues and conflicts never go away and have no bearing on the operations and continuity of the business, and that corporate governance is portrayed as a theoretical framework whose principles are applied only when doing so furthers the company's objectives and without regard for other factors. the practical outcome of its use and how it affects sustainability.

**The most significant conclusions came from the interviews:**

- 1- The most important results of the interviews that were conducted were that governance is discussed between companies through workshops arranged by chambers of commerce, and that it has become a recognized system and an area in which it is discussed and presented, but its implementation is difficult from the owners' perspective.
- 2- It is tough for owners to delegate authority because they feel that their experience is the only way to finish the work.
- 3- The Board of Directors is fake, and its requirements and conditions necessary to meet the company's goals are not implemented.
- 4- Owners believe that making money is the most essential thing. Hence, their rights and obligations are centered around that.
- 5- A specific family member group, particularly the founders, has the majority of the decision-making authority.
- 6- Social responsibility is regarded as an inherent aspect of the culture of Hebron Governorate, and so its promotion is part of the culture of the company and its owners. However, executive directors believe that operating within the realm of social responsibility can occasionally benefit the firm and help it achieve its goals. In other words, the firm meets its own objectives while increasing its responsibility. Social towards the external community.
- 7- The CEO, who is appointed by the owners to carry out specific tasks, must adapt to their needs.
- 8- Conflicts persist among the owners and between the owners and managers, and authority is concentrated in the hands of the founder.

### 5.1.4 Conclusions

- 1- The researcher mentions that 63.1% of the questionnaire responses came from owners and family members, indicating that there are fewer obstacles and conflicts, that occurred, and that all of the governance principles that must be applied and disseminated are present, ensuring that their rights and duties are clear and that there is no problem with the continuity of family businesses. According to the findings, the reality of governance is quite high, which might be attributed to a variety of factors:
- 2- Refusing to accept the presence of a flaw in the current work system.
- 3- Disregard for the fundamental meaning of corporate governance.
- 4- Fear of sons rebellion.
- 5- A lack of understanding of company governance.
- 6- Some companies did not answer and refused to complete the questionnaire.
- 7- The researcher argues that some corporate governance concepts are applied in a way that improves company continuity in the short term, without appreciating the relevance of the actual application of its principles and texts that achieves long-term continuity. Some of the applications that enhance continuity in the short term are represented, so the owner is prepared to maintain the continuity of the company, such as: appointing an executive director who is not a family member, but he is obligated to refer to them in all administrative decisions, and his powers are limited, and thus the main reason for the process of separating ownership from management fails, as well as the application of social responsibility in a way that benefits all stakeholders, including society and the environment. In addition to that, conflicts occur without radical solutions and without studied and scientific methods for resolution, which deceive owners into believing that they can solve problems.

- 8- There is a positive trend and clear support for the concept of social responsibility, as evidenced by the results' compatibility with other studies, such as the Al-Jaabari study which concluded that there are those who recognize that the company's social initiatives are part of the company's marketing agenda, in addition to what enhances the company's contribution to responsibility is the presence of a competitor has a stronger impact on society, which enhances the findings of this study.
- 9- Obligation leads to success, and committing companies to these principles entails applying and understanding the critical importance of corporate governance and all of its concepts, such as delegating powers, separating ownership from management, and reducing large family participation in administrative decisions.
- 10- The family's power over decisions, as well as the concentration of decisions in the hands of a specific group, show the absence of true awareness of the application of corporate governance required to achieve continuity.

### **5.1.5 Recommendations**

- 1- The chambers of commerce should establish a specialized department for the governance of family businesses, and activate it if exists, so the companies are obligated to join, as well as conduct pressure programs to encourage businesses to join in order to improve their governance framework.
- 2- Organizing workshops with firm owners through the Federation of Industries and Chambers of Commerce, and also organizing workshops for workers and managers who are not family members.
- 3- Owners seek advisory groups to make strategies to guarantee their continuity.
- 4- Conducting more scientific research on governance and a broader range of sectors in the governorate.
- 5- Conduct further comprehensive research, some of which will look at non-family employees and executives, while others will look at family owners and managers.
- 6- The researcher recommends dividing each owner's share among generations, in order to allow each owner to start his own business.
- 7- Support the spread of the Family Business Governance Code throughout Palestine.
- 8- Adopting wealth governance which recommended by the North Hebron Chamber of Commerce and Industry in terms of maximizing family wealth and increasing returns by investing the company's surplus profits in new investment projects in a way that reduces the risks of family business.



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## Appendix NO. 1 : The study questionnaire



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

جامعة الخليل

كلية الدراسات العليا

قسم إدارة الأعمال

السادة/ الشركات العاملة في القطاع الصناعي الفلسطيني في محافظة الخليل المحترمين

تحية طيبة وبعد،،،

انطلاقاً من أهمية حوكمة الشركات بشكل عام، وحوكمة الشركات العائلية على وجه الخصوص، تقوم الباحثة

بإجراء دراسة حول:

**The Reality of Corporate Governance at Family Businesses in Palestine :**

**" A Study of Industrial Companies in Hebron Governorate"**

" واقع الحوكمة في الشركات العائلية في فلسطين: - دراسة الشركات الصناعية في محافظة الخليل - "

يرجى التكرم بالمساعدة في تعبئة الاستبانة المرفقة، علماً أن البيانات الواردة هي لغاية البحث العلمي،

وستعامل بسرية تامة.

شكراً لتعاونكم، وتقبلوا مني الاحترام

الباحثة: غادة خليل جرادات

برنامج إدارة الأعمال

## القسم الأول: البيانات الديمغرافية

### 1- الجنس:

أ. ذكر. ب. أنثى.

### 2- العمر:

أ. 20-أقل من 30 سنة. ب. 30-أقل من 40 سنة.  
ج. 40-أقل من 50 سنة. د. 50 سنة فما فوق.

### 3- المؤهل العلمي:

أ. ثانوية عامة فما دون ب. دبلوم ج. بكالوريوس د. دراسات عليا

### 4- عدد سنوات الخبرة:

أ. أقل من 5 سنوات ب. 5-أقل من 10 سنوات ج. 10-أقل من 15 سنة  
د. 15 سنة فما فوق

### 5- المنصب الوظيفي:

أ. عضو مجلس إدارة ب. مدير تنفيذي ج. مدير دائرة أو قسم د. غير ذلك/ حدد .....

### 6- هل أنت من أحد أفراد العائلة؟

أ. نعم ب. لا

### 7- عدد العاملين في الشركة:

أ. أقل من 20 موظف ب. 20-أقل من 50 موظف ج. 50-أقل من 100 موظف  
د. 100 موظف فما فوق

### 8- العمر الزمني للشركة (تاريخ التأسيس):

أ. 3-أقل من 5 سنوات ب. 5-أقل من 10 سنوات ج. 10-أقل من 15 سنة د. 15 سنة فما  
فوق

### 9- هل يوجد نظام داخلي للشركة مصادق عليه من قبل وزارة العمل:

أ. نعم ب. لا

### 10- هل يوجد مدقق حسابات خارجي للشركة؟

أ. نعم ب. لا

القسم الثاني: متغيرات الدراسة

حقوق وواجبات الملاك						
الرقم	الجملة	موافق بشدة	موافق	محايد	معارض	معارض بشدة
1.	يوجد سهولة في نقل الملكية بين الملاك.					
2.	يحق للملاك المشاركة في الأرباح والحصول عليها.					
3.	يحق للملاك تحديد أعضاء مجلس الإدارة وعزلهم.					
4.	يحصل الملاك على المعلومات المتعلقة بالشركة، واجتماعاتها بشكل منتظم.					
5.	يناقش الملاك تقرير مدقق الحسابات الخارجي، ويحق لهم الاستفسار عما يحتويه التقرير.					
6.	يطلع الملاك على جميع القرارات التي تؤثر على مسار الشركة واتجاهاتها الاستراتيجية.					
7.	يُعامل جميع الملاك بمساواة بغض النظر عن نسبة الملكية لكل شريك.					
8.	يحق لكل مالك الاطلاع على حسابات الشركة في أي وقت يشاء وبدون قيود.					
9.	يمكن لأفراد العائلة الانضمام للعمل في الشركة إذا امتلكوا المؤهلات المناسبة لمتطلبات الوظيفة الشاغرة.					
10.	يوجد اتفاق بين الشركاء على مسحوباتهم المالية الشخصية.					
11.	هناك فصل بين الذمم المالية الشخصية للشركاء وأموال الشركة.					
12.	يتركز القرار في يد فئة معينة من العائلة.					
الإفصاح عن المعلومات والشفافية والتدقيق						
الرقم	الجملة	موافق بشدة	موافق	محايد	معارض	معارض بشدة
13.	المعلومات المالية والتشغيلية للشركة واضحة وسهلة الفهم أمام جميع الملاك.					
14.	أهداف الشركة، ورؤيتها ورسالتها معن عنها.					
15.	يتم إجراء تدقيق سنوي للشركة من قبل مدقق حسابات خارجي.					
16.	تُعد المعلومات ويفصح عنها بوضوح وفقاً لمعايير المحاسبة الدولية.					

					17. القروض الممنوحة للشركة بما في ذلك شروطها وفوائدها ومواعيد سدادها واضحة أمام الملاك.
					18. السياسات والاجراءات المتبعة في الشركة واضحة لجميع العاملين.
					19. يتم توضيح كافة نتائج التقارير المنجزة في نهاية كل مدة زمنية.
					20. يتم المحافظة على سرية المعلومات الخاصة بالتقارير المالية والإدارية.
					21. تقوم لجنة التدقيق بإعداد برامج عمل واضحة ويتم مناقشتها من قبل مجلس الإدارة.
					22. يتم الإفصاح عن الوصف الوظيفي لجميع أبناء العائلة في الشركة.
<b>مجلس إدارة الشركة ومسؤولياته</b>					
معارض بشدة	معارض	محايد	موافق	موافق بشدة	الجملة
					23. يدرك أعضاء مجلس الإدارة مسؤوليتهم تجاه الشركة والملاك ويتعهدون باتخاذ القرارات التي تعزز مصالح جميع الأطراف.
					24. يمتلك مجلس الإدارة الحق باختيار واستبدال المديرين التنفيذيين للشركة.
					25. يشرف مجلس الإدارة على عملية التوضيح والإفصاح، ويحصل على كافة المعلومات لتسيير عمل الشركة حسب المخطط له.
					26. يتم إعداد خطة استراتيجية للشركة من قبل مجلس الإدارة.
					27. يُظهر أعضاء مجلس الإدارة التزامهم بواجباتهم من خلال الحضور المتكرر للاجتماعات ومشاركتهم الفاعلة في مناقشات صنع القرار.
					28. يتم وضع نظام لمراقبة الأداء والتقييم داخل الشركة من قبل مجلس الإدارة.
					29. يتم تعيين موظفين من غير أفراد العائلة في المناصب الإدارية العليا في الشركة.
					30. الزيادات السنوية للموظفين تتم وفق معايير معينة.
					31. يوجد سلم رواتب واضح في الشركة.
					32. يتم الاجتماع بشكل دوري ومستمر من أجل البحث في

					مجريات العمل بما يكفل نجاحه واستمراره.	
					33. يتم السيطرة على النزاعات والصراعات التي من الممكن وقوعها بين الموظفين وأفراد العائلة من قبل مجلس الإدارة.	
					34. يتوفر لدى الشركة مجلس استشاري يتميز بالكفاءة والخبرة ويتم الاستعانة به قبل اتخاذ القرارات.	
<b>الإدارة التنفيذية للشركة</b>						
<b>الرقم</b>	<b>الجملة</b>	<b>موافق بشدة</b>	<b>موافق</b>	<b>محايد</b>	<b>معارض</b>	<b>معارض بشدة</b>
35.	يتم تعيين المدير التنفيذي من قبل مجلس الإدارة وضمن صلاحيات ومؤهلات وقدرات تتناسب المنصب.					
36.	يتم تحديد الأجر والمكافآت للمدير التنفيذي من قبل مجلس الإدارة.					
37.	يقوم المدير بتعيين من ينوب عنه من أجل القيام بتسيير مهامه عند الغياب.					
38.	يتم إدارة العمليات اليومية من خلال تعيين مدراء الدوائر بطريقة تكفل سير العمل ونجاحه.					
39.	تقوم الإدارة التنفيذية ببناء نظام مالي يكفل إدخال كافة العمليات المالية.					
40.	يتم توثيق وأرشفة جميع أنشطة الشركة، لضمان الرجوع إليها في حال حاجتها.					
41.	يعتبر مدى التزام جميع الموظفين من أفراد العائلة وغير أفراد العائلة بساعات الدوام وسيلة مهمة لمراقبة مدى الانضباط.					
42.	تشمل عملية التقييم جميع مستويات العاملين في الشركة بما فيهم الإدارة العليا وأعضاء مجلس الإدارة.					
43.	تضع إدارة الشركة تعليمات واضحة بخصوص حوافز الموظفين سواء كانوا من أبناء العائلة أو من غيرها.					
44.	يوجد نظام داخلي معتمد في الشركة ويتم العمل به.					
45.	يتقاضى الموظفين من أبناء العائلة رواتب تتناسب مع مسمياتهم الوظيفية بدون تمييز.					
46.	يتلقى الموظفين الأمر من رئيس واحد فقط.					
<b>مدى الالتزام بالمسؤولية الاجتماعية</b>						
<b>الرقم</b>	<b>الجملة</b>	<b>موافق بشدة</b>	<b>موافق</b>	<b>محايد</b>	<b>معارض</b>	<b>معارض بشدة</b>

					47. تدرك الشركة أهمية المسؤولية الاجتماعية وتعمل من أجلها.
					48. تساهم الشركة في برامج اجتماعية للعاملين خارج نطاق العمل مثل مراكز الترفيه والأندية.
					49. تقوم الشركة بتوفير نظام للتأمين والمعاشات للعاملين.
					50. تحفز الشركة العاملين على حضور المؤتمرات وورش العمل العلمية والمهنية.
					51. تهتم الشركة لمقترحات وشكاوى المستهلكين وتحرص على تحقيق متطلباتهم.
					52. تقبل الشركة تدريب طلاب جامعات أو معاهد أو كليات أثناء وبعد الدراسة.
					53. تقوم الشركة بتقديم المساعدات والمنح التعليمية لأفراد المجتمع.
					54. تساهم الشركة بإنشاء المدارس والمساجد والمراكز الصحية.
					55. تساهم الشركة في مشاريع تنمية المجتمع في المناطق المهمشة.
					56. توظف الشركة أفراد من ذوي الاحتياجات الخاصة.
					57. تستخدم الشركة الآلات الأقل نسبة في تلوث البيئة، حتى وإن كانت تكاليفها مرتفعة.
					58. تساهم الشركة في توفير مصادر بديلة للطاقة اللازمة للعمل.
					59. تلتزم الشركة بمعالجة المخلفات الصناعية بما يضمن عدم إلحاق الضرر بالبيئة المحيطة.

شكراً لتعاونكم.



## Appendix NO.2 : Names of the questionnaire judges

<b>NO.</b>	<b>Professor name</b>	<b>University Name</b>
<b>1-</b>	<b>Prof . Ahmad Alma'ni</b>	<b>The World Islamic Sciences and Education University.</b>
<b>2-</b>	<b>Prof. Ahmad Iriqat</b>	<b>Amman Alahlya University.</b>
<b>3-</b>	<b>Prof. Nasser Jaradat</b>	<b>Palestine Alahlya University.</b>
<b>4-</b>	<b>Dr. Ahmad herzallah</b>	<b>Al-Quds University.</b>
<b>5-</b>	<b>Dr. Mohammad Aljabbari</b>	<b>Hebron University.</b>
<b>6-</b>	<b>Dr. Sameer Aljamal</b>	<b>Al-Istiqlal University.</b>
<b>7-</b>	<b>Dr. Mousa Ajouz</b>	<b>Palestine Alahlya University.</b>
<b>8-</b>	<b>Dr.Hussain Abed Alqader</b>	<b>Al-Istiqlal University.</b>
<b>9-</b>	<b>Dr. Ihab Alqubaj</b>	<b>AL-Qadoury University.</b>
<b>10-</b>	<b>Dr. Salwa Barghouthi</b>	<b>Al-Quds University.</b>
<b>11-</b>	<b>Dr. Hashem Abu Sneineh</b>	<b>Palestine Alahlya University.</b>