The impact of applying corporate governance principles on enhancing the strategic operational performance of family businesses in Saudi Arabia: a field study

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Department of Business Administration,
College of Business Administration,
Majmaah University,
Al Majmaah, 11952, Saudi Arabia
Email: alharbi.ma@mu.edu.sa

Abstract: This study investigates the impact of implementing corporate governance principles on enhancing the strategic operational performance of family businesses in Saudi Arabia. A sample of 384 firms was drawn from the 278,680 registered family enterprises across the Kingdom. Employing a descriptive survey design and a structured questionnaire, data were analysed using AMOS 24. The findings indicate a statistically significant positive effect ($p < 0.05$) of governance practices on competitive, operational, and financial performance dimensions. The study underscores the importance of establishing qualified boards of directors that include both family and non-family members, as well as encouraging regular stakeholder meetings within family businesses. It also recommends future research exploring the governance-performance relationship through alternative variables to deepen understanding in this domain. These insights aim to foster sustainable growth and strategic competitiveness for family enterprises in emerging markets (EMs), particularly within the Saudi context.

Keywords: corporate governance; strategic operational performance; family businesses; Saudi Arabia; board of directors; emerging markets; EMs.

Biographical notes: Mohammed Atiah Alharbi is an Associate Professor of Business Administration, Department of Business Administration, Faculty of Business Administration, Majmaah University, Al Majmaah 11952 the Kingdom of Saudi Arabia. He received his PhD in Business Administration in 2016 from La Trobe University. His research interests include business administration and strategic management.

1   Introduction

Rapid technological advancements worldwide have expanded business operations and accelerated the growth of financial markets. This transformation has broadened the business environment and increased company size, which in many cases has weakened mechanisms for monitoring strategic performance. Consequently, inadequate oversight has contributed to unethical practices, a problem that became evident following the economic collapses and financial crises that struck several East Asian, Russian, and Latin American economies during the twentieth century (Zawi and Lilia, 2023). Over the past two decades, the USA has similarly experienced the consequences of major corporate failures, such as the 2002 collapses of Enron – once one of the largest US energy companies – and WorldCom, leading to bankruptcies, economic downturns, and significant losses for shareholders (Tawfiq, 2024). These events intensified global focus on corporate governance and its role in preventing crises that undermine corporate performance.

Corporate governance serves as a modern regulatory framework designed to ensure corporate continuity, growth, and development. By establishing clear rules governing relationships between stakeholders, it mitigates conflicts of interest between management and shareholders (Awdah, 2017). Its principles extend beyond publicly listed companies to all legal business forms, including family enterprises, which are critical drivers of national economic growth. Globally, family businesses represent an estimated 65% to 80% of companies, and, according to the Fortune rankings, 200 of the world's top 500 companies fall into this category (Tawfiq, 2024).

In the context of family businesses, applying corporate governance principles is particularly vital due to the unique ownership structures and intertwined relationships between shareholders and boards of directors. Such dynamics can foster misalignment of objectives, operational inefficiencies, and internal disputes, all of which can harm organisational structure, financial outcomes, and administrative processes. In Saudi Arabia, family businesses form the backbone of economic activity, contributing an estimated 60% to 70% of national output and investing approximately SAR 250 billion into the economy (Al-Muqaddam and Al-Azmi, 2024). Recognising their strategic importance, the Saudi government prioritises the sector's stability and performance, as its health significantly influences market dynamics and societal well-being. However, these enterprises face numerous challenges, many of which stem from insufficient adherence to corporate governance principles.

Accordingly, this study seeks to examine the influence of corporate governance on the development of strategic operational performance in Saudi family-owned businesses, as perceived by a sample of senior company leaders.

2   Research problem

Family businesses are a cornerstone of private sector investment and operations worldwide, owing to their capacity to employ large workforces, supply markets with a diverse array of products, and make substantial contributions to international trade. In the Saudi context, studies such as Al-Ghamdi's (2024) highlight the heterogeneity of family businesses and the variation in their technical orientations. However, the limited and inconsistent adoption of modern management practices in these enterprises underscores

an urgent need to implement corporate governance principles through well-defined mechanisms and standards. Such governance serves as a safeguard for regulating both administrative and financial performance.

A critical concern is that family businesses in the Kingdom of Saudi Arabia often exhibit shorter life spans compared to other business types, largely due to overlapping family relationships that can undermine strategic alignment and long-term viability. Their sustainability is closely tied to the efficiency of their financial and administrative performance. Against this backdrop, the research problem can be articulated as follows:

- What is the impact of corporate governance principles on the strategic operational performance of family businesses in the Kingdom of Saudi Arabia?

3 Research objectives

The primary objective of this study is to assess the impact of implementing corporate governance principles on the strategic operational performance of family businesses in the Kingdom of Saudi Arabia. From this main objective, the following sub-objectives are derived:

- To examine the effect of corporate governance principles on enhancing the competitive operational performance of family businesses in the Kingdom of Saudi Arabia.

- To assess the effect of corporate governance principles on improving the operational performance of family businesses in the Kingdom of Saudi Arabia.

- To evaluate the effect of corporate governance principles on strengthening the financial performance of family businesses in the Kingdom of Saudi Arabia.

4 Significance of the study

Corporate governance represents a modern managerial framework aimed at reinforcing internal controls in family businesses, preventing the misuse of authority, and safeguarding the rights of shareholders and stakeholders – ultimately contributing to the enhancement of strategic performance.

Academic significance:

- To expand the academic discourse on the application of corporate governance principles and their role in improving strategic performance in family enterprises.

- To raise awareness of the critical importance of corporate governance in sustaining the long-term success of family businesses.

- To provide insights on enhancing the adaptability and resilience of family businesses in the face of challenges, thus ensuring their continuity.

- To address a gap in the Saudi literature, as no prior studies were identified that specifically examine the impact of corporate governance on the strategic operational performance of family businesses in the Kingdom.

Practical significance:

- To provide actionable insights for the management of family businesses in Saudi Arabia on how governance mechanisms can improve their strategic operational performance.

- To contribute to the development of a robust operational environment that fosters effective management practices and harmonious family-business relations.

- To support the enhancement of both financial and administrative performance in family enterprises, thereby contributing to the broader Saudi economy.

5   Theoretical framework of the study

5.1   Corporate governance

Corporate governance is considered one of the contemporary management approaches in companies, owing to its numerous advantages for owners and stakeholders. The origins of corporate governance date back to the early 19th century, when specific theories of organisation and management first began to address the concept (Ma'mar et al., 2019). The Organization for Economic Cooperation and Development (OECD, 2007) defines corporate governance as one of the key elements for enhancing economic efficiency, influencing the relationships between a company's management, its board of directors, shareholders, and other stakeholders. Based on this definition, the researcher concludes that the application of corporate governance principles provides a structure through which company objectives are defined, the means to achieve those objectives are determined, and performance is effectively monitored. This structure offers appropriate incentives for the board of directors to oversee the achievement of objectives that serve the interests of both the company and its shareholders, thereby promoting a more efficient use of resources.

Based on the above, the researcher defines corporate governance as a set of rules and procedures that regulate the relationships among a company's stakeholders, aiming to minimise conflicts and differences between company management, the board of directors, and shareholders. Additionally, it encompasses the setting of objectives, monitoring, and performance follow-up under circumstances where ownership is separated from management.

Several studies (Al-Zahra, 2017; Al-Sagheer and Bahloool, 2018; Bahshashi, 2020) have emphasised the importance of corporate governance, which encompasses various economic, social, and financial dimensions. It also plays a vital role in attracting foreign investment and facilitating the transfer of knowledge across countries. At the company level, the significance of applying governance principles lies in enhancing economic efficiency by establishing clear rules that govern relationships between the board of directors, management, and shareholders. This fosters greater investor confidence in systems that safeguard their rights and supports efforts to attract investments for expansion projects.

Applying governance principles is also crucial for shareholders, as it guarantees their right to participate in decisions regarding any changes that may affect company performance, while contributing to transparency regarding investment risks.

5.2   In the context of the Kingdom of Saudi Arabia

The Corporate Governance Regulations issued by the Capital Market Authority (2017) establish the controls and standards that regulate company management to ensure compliance with best practices of corporate governance and to protect shareholder rights. These regulations are mandatory for companies, with the exception of specific provisions that are considered advisory. The objectives of these regulations (Capital Market Authority, 2017) are as follows:

- Activating the role of shareholders in the company, clarifying the powers and duties of the board of directors, and executive management.

- Enhancing the role of the board of directors and improving its decision-making capacity within the company.

- Supporting integrity, transparency, and fairness in the financial market through accounting disclosure and the prevention of conflicts of interest.

- Promoting management efficiency within companies, fostering a culture of professional conduct, and encouraging development aligned with the company's nature.

- Based on the above, the researcher concludes that the application of corporate governance principles aims to build confidence in the local economy, strengthen the role of capital and business markets, and enhance the competitiveness of the private sector by facilitating access to various sources of financing and profit generation – thereby contributing to job creation through the support and growth of these companies.

5.3   Family businesses

Family businesses are among the oldest forms of commercial enterprises and represent a phenomenon that is prevalent worldwide. The term 'family business' is descriptive rather than referring to a specific legal form recognised in commercial law (Sekiou and Benbouziane, 2020). In most countries, there is no specific legislation governing family businesses. In the Kingdom of Saudi Arabia, all family businesses are classified as commercial companies and are subject to commercial regulations and oversight by executive authorities such as the Ministry of Commerce and other relevant bodies (Al-Zahrani, 2023).

Al-Muqaddam and Al-Azmi (2024) define a family business as a company in which more than one member of a single family participates in the ownership of the company's capital, with mechanisms in place to ensure business continuity and control across generations. Al-Sayid (2014) views the family business as an enterprise wholly owned by a single family, where decision-making authority and voting power on strategic decisions are restricted to family members. The Family Business Governance Guide and Charter in the Kingdom of Saudi Arabia defines a family business as a company that is wholly owned or controlled by a particular family (Al-Shahrani et al., 2021).

From the above, the researcher concludes that arriving at a unified and precise definition of a family business is somewhat challenging and remains a subject of debate within academic literature, due to the overlap of numerous factors and differing

perspectives. Based on the foregoing, the researcher defines a family business as a company that is wholly owned or controlled by a particular family.

The Saudi regulator, in the new Companies Law issued by Royal Decree No. (M/132), dated 1/12/1443H, Article Four, stipulates that a company may take one of the following forms: general partnership, limited partnership, joint stock company, simplified joint stock company, or limited liability company. A family business may adopt any of these legal forms except for capital companies (joint stock companies and mixed companies); the choice depends on the circumstances and nature of its activities (Al-Ghamdi, 2024).

Masri (2012) states that a company is classified as a family business if the following elements are present:

- Active participation of the family in the company's capital.

- Voting power held by a family member within the company's board of directors or general assembly.

- Authority for a family member to make strategic decisions for the company.

- Management of the company by at least one generation.

- Al-Dabal (2019), Obeid et al. (2020) and Abdui Hai (2019) argue that family businesses possess several advantages that distinguish them from other types of companies:

- They foster cohesion and unity among family members due to their shared interests and sense of belonging to a common destiny.

- Family businesses are committed to the growth and development of their operations and to transferring expertise to future generations.

- The good reputation of family businesses reflects trust in business relationships and facilitates access to necessary financing.

- Family businesses demonstrate high adaptability and flexibility in facing challenges that commercial companies encounter.

The researcher notes that, despite these advantages, family businesses are not without risks, such as intergenerational conflicts over control of management, which can lead to family fragmentation and, consequently, the business's collapse. The absence of a clear vision and strategic objectives is also a significant cause of failure. Many business families resist change and are reluctant to bring in new members from outside the company, preferring to keep management within the family to safeguard business secrets.

Corporate governance in family businesses is of paramount importance, as it helps ensure good business management, accountability, transparency, and fairness among family members. The practice of governance in family businesses helps achieve a balance between the family and the company. Family business governance has been defined as the set of rules aimed at securing the company's continuity through a system that determines which family members will manage the company after the founders' death and that regulates relationships among partners to ensure sustainability (Ma'mar et al., 2019).

Ghallab et al. (2019) define it as the policies and procedures designed to prevent, mitigate, and address all potential issues that may arise concerning family considerations. In light of the above, the researcher defines family business governance as a framework for ensuring the sustainability and generational succession of management in a family business by guiding and monitoring the company to achieve both its objectives and those of the family.

5.4 Strategic operational performance

There is no singularly precise definition of strategic operational performance, despite the considerable accumulation of knowledge in the field of performance. Robbins and Wiersema (2009) define it as one of the measures that help evaluate an organisation's ability to connect its present with its future, and its responsiveness to environmental changes. Hiebl (2014) views strategic operational performance as a broad perspective that encompasses both output-oriented performance indicators and non-financial indicators, including operational, financial, and competitive performance.

Based on the above, the researcher defines strategic operational performance as the outcome of the processes carried out by an organisation, measured by two key indicators: the level of focus and the organisation's relationship with its environment. The importance of strategic operational performance in management can be highlighted through three dimensions: theoretical, managerial, and empirical (Maglaya, 2022). From a theoretical standpoint, performance represents the core of strategic management in operations. From a managerial perspective, its importance is demonstrated by the growing attention operations management gives to adjusting objectives and strategies. From an empirical perspective, strategic operational performance depends on the selection of different strategies.

From the foregoing, the researcher concludes that strategic operational performance contributes to cumulative knowledge-building, reflecting the level of success in operations management and the organisation's ability to adapt to its environment. Numerous studies, such as Tawfiq (2024), indicate that the domains of strategic operational performance encompass competitive performance, operational performance, and financial performance. The researcher addresses these domains as follows:

5.4.1 Competitive performance in operations management

Competitive performance in operations management reflects the organisation's drive for growth, survival, and the establishment of a leading competitive position. There is no consensus among scholars and researchers regarding the concept of competitive performance, as it is shaped by a complex interplay of internal and external forces that define an organisation's characteristics and competitive capabilities (Amina and Buzian, 2017). Numerous measures are used to assess competitive performance. Jad Al-Rab (2009), for example, emphasised market share indicators. An increase in market share indicates that the organisation is gaining customers from competitors, thereby enhancing its market position and reaping greater benefits.

Market share indicators include basic market share, which refers to an organisation's total sales relative to total industry sales, or the total number of the organisation's customers compared to the industry's total customer base. They also include targeted market share, which is the ratio of the organisation's sales to its competitors' sales within

a targeted market segment, as well as comparisons with the market share of leading competitors.

Based on the above, the researcher concludes that market share indicators remain the most widely used measures for assessing competitive performance, due to the relative ease of obtaining data such as sales, industry sales, and customer numbers.

5.4.2 *Operational performance in operations management*

Operational performance is a fundamental indicator that reflects an organisation's ability and the extent of success achieved in utilising its available material, human, technical, and informational resources (Al-Bakmi et al., 2022). Dutton and Kleiner (2015) define operational performance as the effort an organisation exerts to achieve its objectives, thereby reflecting its operational performance level. Wheelen and Hunger (2012) define it as the organisation's specific results, including financial, market, and stakeholder-related performance indicators.

Based on these definitions, the researcher defines operational performance as the internal activities and processes undertaken by organisations to achieve their financial objectives and meet the requirements of service recipients. This is accomplished through the introduction and innovation of new services while responding to market constraints and diagnosing their nature. According to David (2012), operational performance is typically measured along three main dimensions:

- *Productivity*: Defined as the ratio of outputs to inputs in the production process. The most important indicators include labour productivity and capital productivity, which reflect outputs relative to invested capital.

- *Profitability*: Represents the relationship between the results achieved by the organisation and the invested capital or other financial inputs.

- *Efficiency*: Refers to achieving the required production volume while utilising the minimum possible level of inputs (resources).

5.4.3 *Financial performance in operations management*

There is no universally precise definition of financial performance, as perspectives on the concept vary among scholars and researchers. Al-Khatib (2010) defines financial performance as a tool for determining the financial status of a company at a given point in time, for a particular aspect of performance, or regarding the performance of the company's shares over a specified period. Kanch (2014) defines financial performance as the optimal utilisation of an organisation's resources to maximise outcomes through improved returns and profitability.

Based on these perspectives, the researcher defines financial performance as the financial status of operations management, encompassing both the methods used to achieve financial outcomes and the results derived from those methods. Key variables include sales, revenues, assets, capital invested in production, net income, and other relevant financial metrics. According to Al-Daawi (2010), the most important measures used to assess financial performance include:

- Total asset turnover ratio = Net sales / Total assets

- Inventory turnover ratio = Sales revenue / Inventory

- Operating return on capital invested in operations = (Net operating profit / Capital invested in operations), with the capital turnover ratio calculated as: (Sales revenue / Capital invested in operations).

5.5   Previous studies

The study by Al-Muqaddam and Al-Azmi (2024) aimed to examine the impact of fairness on the performance of family businesses in the Kingdom of Saudi Arabia. To achieve this objective, the analytical descriptive method was employed, and a questionnaire was used as the primary data collection tool. The questionnaire was distributed to 185 employees working in family businesses in Saudi Arabia. The study concluded that the various dimensions of governance have a positive effect on the performance of family businesses.

Tawfiq (2024) conducted a study to explore the relationship between the application of sound governance principles and the development of strategic operational performance in family businesses operating in the Egyptian market. The study employed an analytical descriptive approach and relied on a questionnaire distributed to a sample of employees in family businesses located in Greater Cairo (comprising the provinces of Cairo, Giza, and Qalyubia), with a total sample of 430 companies. Among the key findings was the existence of a statistically significant relationship between the application of sound governance principles and improvements in strategic operational performance, including competitive, operational, and financial performance.

Sayej (2023) presented a study that sought to identify the impact of applying governance principles on institutional performance within the Palestinian Red Crescent Society, as perceived by managers, department heads, and administrative officials. The study utilised a descriptive method and employed a survey instrument to collect data, distributing 112 questionnaires to the sample. The findings revealed that the level of application of governance principles within the Palestinian Red Crescent Society was highly rated, with an arithmetic mean of 83.4%.

The study by Zawi and Lilia (2023) examined the extent to which corporate governance impacts the financial performance of family businesses in the Algerian provinces of Oum El Bouaghi and Batna. The study employed an analytical approach, utilising content analysis, to review the financial statements of 33 companies for the 2018 fiscal year. The study concluded that there was no statistically significant relationship between corporate governance and financial performance in these Algerian family businesses.

Alabdullah et al. (2022) conducted a study to analyse the relationship between corporate governance, measured through variables such as board size and independence, and financial performance, as indicated by return on assets, across a sample of commercial companies. The study employed a descriptive method and utilised regression analysis. Among the key findings was that the application of governance mechanisms contributes to enhancing financial performance by strengthening internal control mechanisms.

The study by Al-Wakeel (2021) aimed to investigate the effect of management leaders' adoption of governance principles as a mediating variable between governance principles and job performance improvement, within the East Nasr City district. The study employed an analytical descriptive method and developed a measurement tool aligned with the study's objectives and hypotheses. The results indicated a statistically

significant positive correlation between the application of governance principles and improvements in job performance in East Nasr City. Furthermore, a statistically significant positive correlation was found between management leaders' adoption of governance principles and improvements in job performance. The study also confirmed that the application of governance principles positively contributes to strengthening administrative accountability.

Arteaga and Uman (2020) conducted a study to explore the impact of governance structures employed by family businesses in managing family business tensions, using the lens of social and emotional wealth. The study applied a descriptive method, using narrative analysis of nine accounts provided by representatives of Swedish family businesses. The study concluded that family tensions can be effectively reduced and managed through regular family meetings and by maintaining a clear separation between family matters and business issues.

Ghazali (2020) aimed to determine the relative impact of corporate governance on the performance of companies listed on the Malaysian stock exchange. The study adopted an analytical descriptive method, utilising multiple regression analysis and financial reports for the 2013 fiscal year, with a sample of 742 companies listed on the Malaysian stock exchange. The results demonstrated that variables such as the number of board meetings, separation of roles, and board size had a significant impact on the performance of the companies studied.

Al-Dahdah (2020) presented a study that aimed to identify the impact of applying governance principles on performance in Palestinian universities. The study employed an analytical descriptive method and collected data through a questionnaire distributed to 406 employees across various Palestinian universities. The findings indicated that the level of governance application was high and that this application contributed to an 81.2% improvement in university performance.

Hijazi and Al-Sanousi (2020) examined the impact of institutional governance on achieving competitive advantage in private hospitals in Amman, Jordan. The study employed a descriptive method and utilised a questionnaire distributed to 121 employees working in seven of the 40 private hospitals in Amman. The study concluded that the application of governance principles in their various dimensions had a statistically significant positive effect on achieving competitive advantage in the sampled hospitals.

In addition to the aforementioned studies, recent research from 2023 to 2025 has provided updated insights into the role of corporate governance in family businesses, particularly in the Saudi context. Alhassan et al. (2025) found that financial inclusion initiatives significantly contribute to the sustainability of family businesses in Saudi Arabia by improving the welfare of business-owning households. Similarly, Al-Ghamdi and Khan (2023) examined the impact of ownership structure, including family ownership, on audit report lag in listed Saudi firms, highlighting the implications of such delays for corporate. Alqahtani and Alajlan (2023) explored the relationship between board governance mechanisms and capital structure in non-financial Saudi companies, demonstrating how governance policies influence strategic and financing decisions. Expanding the scope, Almutairi et al. (2023) assessed the effect of governance mechanisms on firm performance before and during the COVID-19 pandemic, underscoring the resilience of governance structures in times of crisis.

Moreover, Alzahrani and Alam (2023) investigated the impact of different ownership types, including family ownership, on both financial and operational performance, showing that ownership nature is a critical determinant of performance variation. Finally,

Bahassan and Javed (2023) provided empirical evidence of a positive relationship between governance practices and the financial performance of listed firms, supporting the proposition that sound governance fosters operational efficiency and profitability.

Taken together, these findings reinforce that effective governance – through improved financial inclusion, robust board mechanisms, and optimised ownership structures – serves as a primary driver of enhanced strategic and operational outcomes in family businesses. Nevertheless, a research gap remains in empirically measuring the direct impact of applying corporate governance principles on the strategic-operational performance of family businesses in Saudi Arabia, particularly in the context of recent economic and regulatory transformations. Therefore, this study seeks to address this research gap.

6 Methodological procedures of the study

6.1 Study methodology, population, and sample

The current study adopted the descriptive survey methodology due to its suitability for research that aims to understand the effect of applying governance principles on the strategic operational performance of family businesses in the Kingdom of Saudi Arabia. This methodology is employed to describe the phenomenon under study, determine its characteristics, and identify the relationships among its dimensions and influencing factors, thereby reaching results that can be generalised to the study population (Al-Qahtani et al., 2013).

On the other hand, the study population consisted of all family businesses registered in the Kingdom of Saudi Arabia, numbering 278,680 companies (National Center for Family Businesses, 2025). According to Mustafa (2003), the appropriate sample size in descriptive research is 5% of the study population, which applies to the current study population. Based on this, the following sample size formula was used (Mustafa, 2003):

$$n = \frac{Z^2 \cdot P \cdot (1-P)}{d^2} = \frac{(1.96)^2 \times 0.5 \times (0.5)}{(0.05)^2} = 384.16 \cong 384$$

where

- n = sample size
- Z = standard value corresponding to the confidence level based on the standard normal distribution
- P = proportion in the population
- d = margin of error.

At a 95% confidence level (Z = 1.96), assuming P = 0.5(which gives the largest sample size), and a margin of error (d = 0.05), the sample size (n) is 384 companies. The number of valid questionnaires for statistical analysis was 351, representing a response rate of 91.4%, which is considered high and acceptable in social and human studies for obtaining reliable results (Babbie, 2020).

6.2   Data collection instrument

The researcher developed a questionnaire to determine the effect of applying governance principles on the strategic operational performance of the companies under study, after reviewing the literature relevant to the current study (Al-Muqaddam and Al-Azmi, 2024; Tawfiq, 2024; Ghazali, 2020; Al-Dahdah, 2020; Hijazi and Al-Sanousi, 2020; Zawi and Lilia, 2023). The questionnaire consisted of two sections:

- *Section one*: Included statements measuring the extent to which governance principles are applied in the companies under study.

- *Section two*: Included statements aimed at identifying the reality of strategic operational performance in the companies under study.

Regarding the reliability and validity of the measurement instrument, after designing the survey, it was tested in its preliminary form by distributing 30 surveys to a pilot sample representing the original sample. Respondents were asked to complete the survey to ensure their understanding of the statements and terminology used, and to identify their reactions to the survey in terms of format, size, and type of questions. After collecting the surveys, the reliability of the study measures was tested using Cronbach's alpha to calculate reliability coefficients. Table 1 shows the reliability and self-validity coefficients for the study variables as follows:

Table 1   Reliability and self-validity coefficients for study variables

No. of items	Variable	Reliability coefficient	Self-validity coefficient	Number
	Governance principles (independent variable)	0.894	0.946	16
	Strategic operational performance (dependent variable)	0.872	0.934	20
1	Competitive performance	0.857	0.926	6
2	Operational performance	0.835	0.914	6
3	Financial performance	0.886	0.941	8
	Entire survey	0.910	0.954	36

Source: Prepared by the researcher based on the results of the field study's statistical analysis

It is clear from Table 1 that all reliability coefficients for the measures used to assess the variables in the current study are high and acceptable, as the acceptable reliability coefficient is greater than 0.7 (Hair et al., 2006). The data also showed high validity coefficients for all study variables (validity coefficient = square root of the reliability coefficient). The overall reliability and validity coefficients for the entire survey are high (0.910 and 0.954, respectively). These results demonstrate the reliability and validity of the measurement instrument, as well as its statistical and logical suitability for collecting data in field studies.

6.3 Arithmetic means and standard deviations of study variables

Table 2 describes the indicators of the current study's variables, represented by arithmetic means measured on a five-point Likert scale, in addition to standard deviations, as follows:

Table 2 Arithmetic means and standard deviations of study variables

No.	Variable	Arithmetic mean	Standard deviation
	Governance principles (independent variable)	3.459	0.758
	Strategic operational performance (dependent variable)	3.493	0.533
1	Competitive performance	3.948	0.717
2	Operational performance	3.027	0.685
3	Financial performance	3.503	0.764

Source: Prepared by the researcher based on the results of the field study's statistical analysis

It is evident from Table 2 that there is an apparent convergence among the arithmetic means of all study variables based on the total values of the sample items. All these means are greater than the hypothetical mean of 3. The arithmetic means of the study variables ranged from 3.027 to 3.948, indicating a clear awareness among the sample members of all study variables. It is also shown that the standard deviations for all study variables are low, indicating a high level of agreement among the sample members in their perception of these variables.

6.4 Determining the significance of correlations among study variables

To determine the significance of correlations among the study variables, Pearson's bivariate linear correlation test was conducted, as shown in Table 3.

Table 3 Pearson's bivariate linear correlation coefficients for study variables

No.	Variable	Governance principles	Strategic operational performance	Competitive performance	Operational performance
1	Governance principles	1			
2	Strategic operational performance	0.811**	1		
3	Competitive performance	0.681**	0.871**	1	
4	Operational performance	0.620**	0.894**	0.726**	1
5	Financial performance	0.742**	0.871**	0.646**	0.717**

Note: ** $p < 0.01$.

Source: Prepared by the researcher based on the results of the statistical analysis of the data

Table 3 clearly shows a statistically significant positive bivariate linear correlation among all study variables. In general, Ratner (2009) indicates that a correlation coefficient less

than 0.3 represents a weak correlation, a coefficient between 0.3 and 0.7 represents a moderate correlation, and a coefficient equal to or greater than 0.7 represents a strong correlation.

6.5   Descriptive analysis of study variables

6.5.1   Descriptive analysis of governance principles

A descriptive analysis was conducted to assess the extent to which governance principles are present in family businesses in the Kingdom of Saudi Arabia from the perspective of a sample of employees in these companies. Governance principles were measured using 16 statements, coded from (X1-1) to (X1-16). The degree of availability of this dimension was determined according to the five-point Likert scale, ranging from 'completely available' to 'not available at all'. The scale intervals (lower and upper limits) were defined as follows (Abdulwalee, 2017):

- 1 to less than 1.8: Not available at all

- 1.8 to less than 2.6: Not available

- 2.6 to less than 3.4: Moderately available

- 3.4 to less than 4.2: Highly available

- 4.2 to 5: Completely available.

The one-sample T-test was used to calculate the T-value to verify the statistical significance of the results. Table 4 presents the descriptive analysis for the statements of this variable as follows.

Table 4   Descriptive analysis of governance principles statements according to the study sample's perspectives

No.	Variable (statement)	Mean	Std. dev.	Relative importance index (RII)	Availability level	Rank	T-value
X1-1	3.779	1.187	0.756	High	1st	15.085	0.000**
X1-2	3.294	1.348	0.659	Moderate	15th	4.001	0.000**
X1-3	3.774	0.987	0.755	High	2nd	12.634	0.000**
X1-4	3.299	1.440	0.660	Moderate	14th	4.196	0.000**
X1-5	3.450	1.227	0.690	High	8th	7.061	0.000**
X1-6	3.450	1.227	0.690	High	9th	7.061	0.000**
X1-7	3.450	1.227	0.690	High	10th	7.061	0.000**
X1-8	3.407	1.392	0.681	High	11th	5.629	0.000**
X1-9	3.332	1.341	0.666	Moderate	12th	4.759	0.000**
X1-10	3.332	1.341	0.666	Moderate	13th	4.759	0.000**
X1-11	3.650	1.127	0.730	High	4th	11.096	0.000**
X1-12	3.491	1.130	0.698	High	7th	8.360	0.000**

Notes: NS: non-significant. **$p < 0.01$, *$p < 0.05$.

Source: The researcher prepared the results based on the statistical analysis

Table 4 Descriptive analysis of governance principles statements according to the study sample's perspectives (continued)

No.	Variable (statement)	Mean	Std. dev.	Relative importance index (RII)	Availability level	Rank	T-value
X1-13	3.553	1.203	0.711	High	6th	8.845	0.000**
X1-14	2.814	1.369	0.563	Moderate	16th	2.615	0.009**
X1-15	3.615	1.203	0.723	High	5th	9.836	0.000**
X1-16	3.650	1.014	0.730	High	3rd	12.339	0.000**
Governance principles (overall)	3.459	0.758	0.692	High	—	11.651	0.000**

Notes: NS: non-significant. **p < 0.01, *p < 0.05.

      Source: The researcher prepared the results based on the statistical analysis

6.5.2 *Key findings from Table 4*

There is an apparent convergence among the arithmetic means for all statements measuring the extent of governance principles' availability in the family businesses under study, as all means exceed the hypothetical mean of 3, except for statement X1-14 ('The application of governance principles in disclosure and transparency has enhanced the credibility of the company's financial data'), which scored below the hypothetical mean. Generally, the means ranged from 2.814 to 3.779, indicating that most statements are perceived as 'highly available', while some are 'moderately available'. The low standard deviations indicate a high degree of agreement among the sample respondents. The overall mean for governance principles (3.459) is above the hypothetical mean, confirming the high availability of governance principles in Saudi family businesses.

The T-values indicate statistically significant awareness among the sample regarding the availability of all statements in this dimension, with significance levels below 0.01, confirming the acceptance of all the above results and the clear perception of governance principles in Saudi family businesses.

6.5.3 *Descriptive analysis of strategic operational performance*

A descriptive analysis was conducted to assess the level of strategic operational performance in Saudi family businesses. This dimension was measured using 20 statements covering three sub-dimensions: competitive performance, operational performance, and financial performance. Statements related to competitive performance were coded from (Y1-1) to (Y1-6), operational performance from (Y2-1) to (Y2-6), and financial performance from (Y3-1) to (Y3-8). Arithmetic means, standard deviations, and the Relative Importance Index (RII) were used to determine the degree of availability of the statements, and the One-Sample T-Test was used to verify the statistical significance of the results. Table 5 presents the descriptive analysis for this dimension as follows:

Table 5   Descriptive analysis of strategic operational performance statements and dimensions according to the study sample's perspectives

No.	Variable (statement)	Mean	Std. dev.	RII	Availability level	Rank	T-Value
Y1-1	4.030	0.913	0.806	High	1st	21.713	0.000**
Y1-2	3.914	1.168	0.783	High	4th	15.061	0.000**
Y1-3	4.030	0.913	0.806	High	2nd	21.713	0.000**
Y1-4	4.030	0.913	0.806	High	3rd	21.713	0.000**
Y1-5	3.914	1.168	0.783	High	5th	15.061	0.000**
Y1-6	3.774	0.987	0.755	High	6th	15.058	0.000**
Competitive performance (overall)	3.948	0.717	0.790	High	—	25.458	0.000**
Y2-1	3.553	1.203	0.711	High	2nd	8.845	0.000**
Y2-2	3.450	1.227	0.690	High	3rd	7.061	0.000**
Y2-3	3.650	1.014	0.730	High	1st	12.339	0.000**
Y2-4	2.504	1.237	0.501	Not available	4th	1.719	0.241NS
Y2-5	2.504	1.237	0.501	Not available	5th	1.719	0.241NS
Y2-6	2.504	1.237	0.501	Not available	6th	1.719	0.241NS
Operational performance (overall)	3.027	0.685	0.605	Moderate	—	2.870	0.008**
Y3-1	3.553	1.203	0.711	High	3rd	8.845	0.000**
Y3-2	3.914	1.168	0.783	High	1st	15.067	0.000**
Y3-3	3.450	1.227	0.690	High	4th	7.061	0.000**
Y3-4	3.450	1.227	0.690	High	5th	7.061	0.000**
Y3-5	3.779	1.187	0.756	High	2nd	12.634	0.000**
Y3-6	3.450	1.227	0.690	High	6th	7.061	0.000**
Y3-7	3.294	1.348	0.659	Moderate	7th	4.196	0.000**
Y3-8	3.135	0.993	0.627	Moderate	8th	2.613	0.009**
Financial performance (overall)	3.503	0.764	0.701	High	—	12.672	0.000**
Strategic operational performance (overall)	3.493	0.533	0.699	High	—	17.790	0.000**

Note: NS: non-significant. **$p < 0.01$, *$p < 0.05$.

   Source: The researcher prepared the results based on the statistical analysis
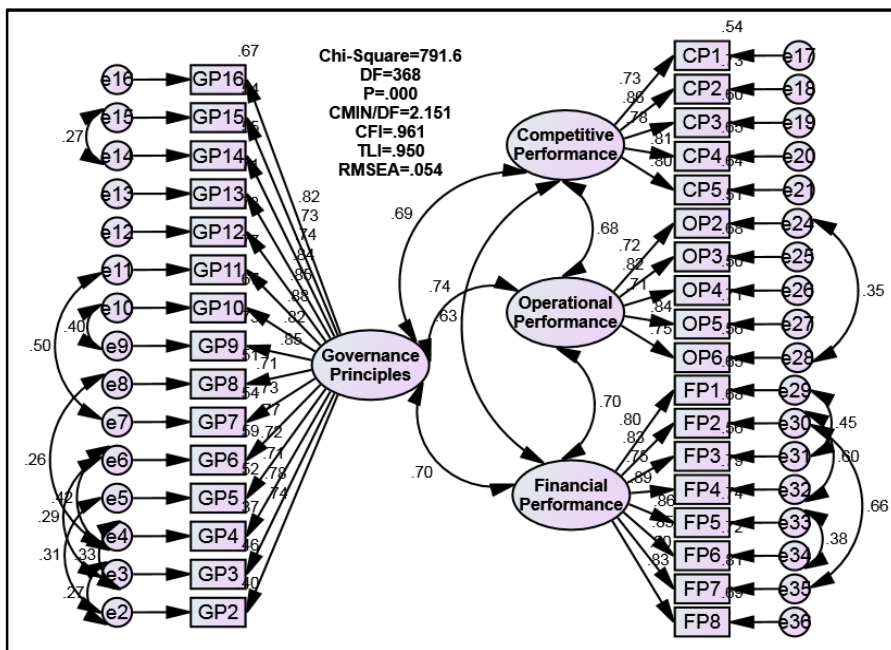
6.5.4 Key findings from Table 5

There is an apparent convergence among the arithmetic means for most statements measuring the three dimensions of strategic operational performance (competitive, operational, and financial performance), based on the total sample values. The overall mean for each dimension (3.948 for competitive, 3.027 for operational, and 3.503 for financial performance) is above the hypothetical mean, with both competitive and financial performance rated as 'highly available', and operational performance rated as 'moderately available'. Similarly, the overall mean for strategic operational performance (3.493) is above the hypothetical mean, confirming the high level of strategic operational performance in Saudi family businesses, albeit with varying degrees.

The T-values indicate statistically significant awareness among the sample regarding the availability of most statements in this variable, with significance levels below 0.01, except for three statements in the operational performance dimension. This confirms the acceptance of all the above results, indicating high levels of strategic operational performance in Saudi family businesses, with competitive and financial performance rated as 'highly available', and operational performance as 'moderately available'.

6.5.5 Preliminary test of the proposed study model: confirmatory factor analysis

Figure 1 illustrates the measurement model, as determined by confirmatory factor analysis (CFA), for the study variables after modification and refinement by predetermined criteria. This process involved the removal of certain non-conforming items and the correlation of measurement errors as per established standards, as follows:

Figure 1 Measurement model using CFA for the study variables (after modification) (see online version for colours)

It is evident from Figure 1 that all items exhibit substantial loadings on their respective latent variables, with all standardised loadings exceeding 0.5. This is further clarified by the data in Table 6, which presents the convergent construct validity coefficients for the study variables as follows.

Table 6   Construct validity for the measurement model of study variables

Variable/item	Standardised loading	CR	Significance	Squared correlation	Composite reliability	Average variance extracted (AVE)
Governance principles					0.959	0.612
GP2	0.736	—	—	0.542		
GP3	0.780	12.959	***	0.608		
GP4	0.709	10.129	***	0.503		
GP5	0.721	11.920	***	0.520		
GP6	0.767	12.237	***	0.588		
GP7	0.734	11.789	***	0.539		
GP8	0.715	10.573	***	0.511		
GP9	0.854	15.271	***	0.729		
GP10	0.819	13.870	***	0.671		
GP11	0.879	16.550	***	0.773		
GP12	0.855	15.285	***	0.731		
GP13	0.843	14.149	***	0.711		
GP14	0.740	11.897	***	0.548		
GP15	0.734	11.824	***	0.539		
GP16	0.818	13.853	***	0.669		
Competitive performance					0.896	0.633
CP1	0.733	—	—	0.537		
CP2	0.856	15.518	***	0.733		
CP3	0.776	12.307	***	0.602		
CP4	0.807	13.596	***	0.651		
CP5	0.802	13.413	***	0.643		
Operational performance					0.878	0.591
OP2	0.716	—	—	0.513		
OP3	0.822	14.356	***	0.676		
OP4	0.708	10.404	***	0.501		
OP5	0.842	14.687	***	0.709		
OP6	0.746	12.052	***	0.557		

Note: $*P < 0.01$.

Source: *Prepared by the researcher based on the results of the statistical data analysis

Table 6   Construct validity for the measurement model of study variables (continued)

Variable/item	Standardised loading	CR	Significance	Squared correlation	Composite reliability	Average variance extracted (AVE)
Financial performance					0.950	0.705
FP1	0.803	—	—	0.645		
FP2	0.827	14.772	***	0.684		
FP3	0.747	12.099	***	0.558		
FP4	0.891	18.025	***	0.794		
FP5	0.858	15.679	***	0.736		
FP6	0.848	14.845	***	0.719		
FP7	0.899	18.612	***	0.808		
FP8	0.832	14.695	***	0.692		

Note: *$P < 0.01$.

Source: *Prepared by the researcher based on the results of the statistical data analysis

6.5.6 Key findings from Table 6

- The standardised factor loadings for all items measuring the study variables are acceptable, as their values fall within the specified range for convergent validity (greater than 0.50). This indicates a strong association between the items and their respective constructs (convergent validity), confirming that all items for each scale represent the factor being measured and not another factor.

- The CR values for all items exceed the acceptable threshold (1.964), and all standardised loadings for the study variables are statistically significant at a significance level less than 0.001.

- The composite reliability coefficients for all study variables are high, exceeding the accepted threshold of 0.70 (Hair et al., 2019), indicating high reliability for all scales used to measure the study variables.

- The average variance extracted (AVE) values for all study variables range between 0.59 and 0.70. According to Bagozzi and Yi (1988), an AVE value of 0.5 or higher indicates that all items measure their respective constructs, confirming the convergent validity of the scale used in this study.

After establishing the model's adequacy in terms of internal consistency and convergent validity between each study variable and its associated indicators (items and dimensions), the next step in testing construct validity is to assess discriminant validity. Discriminant validity refers to the extent to which latent variables are distinct from one another. It is assessed by comparing the AVE for each variable with the squared correlations between that variable and other variables. Discriminant validity is established when the AVE for a variable is greater than the squared correlations with other variables (Anderson and

Gerbing, 1988; Bagozzi and Phillips, 1982). Table 7 presents the shared variance matrix among the study variables and the AVE for each variable as follows:

Table 7   Shared variance matrix among study variables as an indicator of discriminant validity

No.	*Variable*	*Governance principles*	*Competitive performance*	*Operational performance*	*Financial performance*
1	Governance principles	(0.61)			
2	Competitive performance	0.48	(0.63)		
3	Operational performance	0.55	0.46	(0.59)	
4	Financial performance	0.49	0.40	0.49	(0.70)

Source: The researcher prepared based on the statistical data analysis results

It is evident from Table 7 that the AVE for each variable exceeds the shared variance between each variable and the others, confirming the discriminant validity of the study variables.

After confirming the construct validity (convergent and discriminant validity) of the study model, the quality of the model can be assessed by relying on a set of key fit indices that evaluate the adequacy of the theoretical model's fit with the data collected in the current field study. Table 8 presents the leading fit index before and after model improvement as follows.

Table 8   Fit indices for the CFA model of the study variables

Model	*CMIN/DF*	*P*	*GFI*	*AGFI*	*NFI*	*CFI*	*TLI*	*RMR*	*RMSEA*
Original model	3.076	0.000	0.819	0.763	0.907	0.909	0.892	0.075	0.069
	Accept	Sig.	Accept	Not accept	Accept	Accept	Not accept	Accept	Accept
Modified model	2.151	0.000	0.902	0.827	0.948	0.961	0.950	0.061	0.054
	Accept	Sig.	Accept	Accept	Accept	Accept	Accept	Accept	Accept

Source: The researcher prepared based on the statistical data analysis results

Table 8 clearly shows that, prior to any modifications, most fit indices for the original model are significant and generally acceptable; however, some indices fall below the accepted threshold. Accordingly, certain modifications were made as suggested by the statistical analysis software, including removing some items and correlating residual errors among items within the same variable, in accordance with established standards.

After implementing these modifications and improving the model per accepted criteria, the final measurement model for the study variables was achieved. The previous tables indicate that all fit indices are within acceptable limits and that there is a clear association between all items and their respective variables, confirming the proposed model's validity and suitability for measuring the variables in the current study and testing its hypotheses.

6.5.7   *Results of testing the main hypothesis and sub-hypotheses of the study*

The central hypothesis of the study states:

H1 'There is a statistically significant positive effect at the significance level (0.05) of applying governance principles on the development of strategic operational performance (competitive performance, operational performance, and financial performance) in family businesses in the Kingdom of Saudi Arabia'.

The central hypothesis is divided into three sub-hypotheses according to the dimensions of strategic operational performance, as follows:
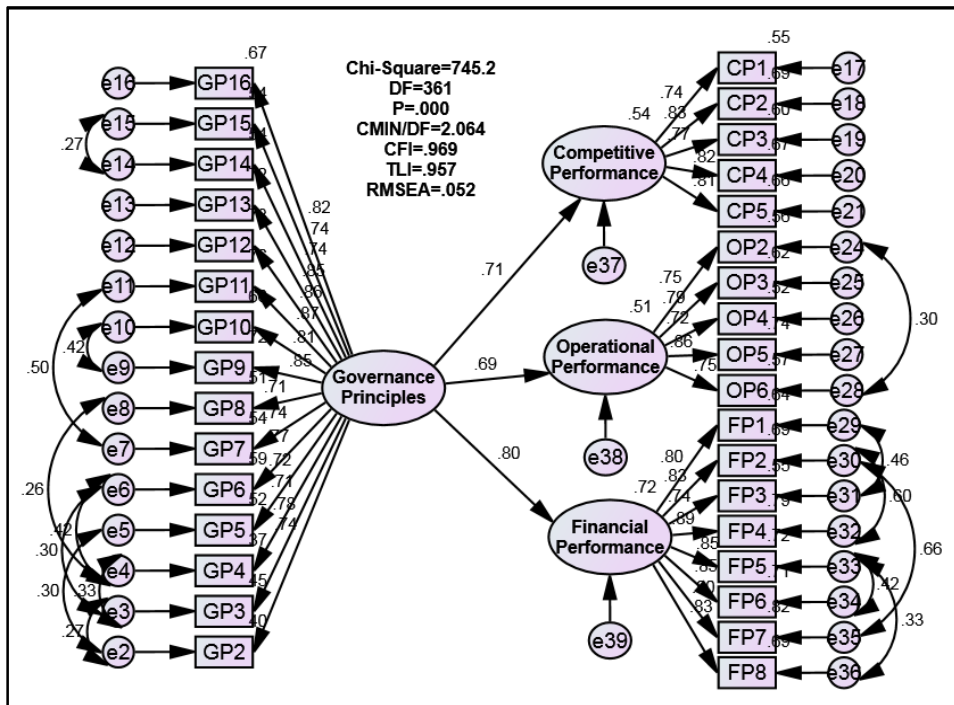
H1/1 'There is a statistically significant positive effect at the significance level (0.05) of applying governance principles on the development of competitive performance in family businesses in the Kingdom of Saudi Arabia'.

H1/2 'There is a statistically significant positive effect at the significance level (0.05) of applying governance principles on the development of operational performance in family businesses in the Kingdom of Saudi Arabia'.

H1/3 'There is a statistically significant positive effect at the significance level (0.05) of applying governance principles on the development of financial performance in family businesses in the Kingdom of Saudi Arabia'.

To test the validity of these hypotheses, structural equation modelling (SEM) was used. Figure 2 illustrates the structural model paths for testing this hypothesis, as follows.

Figure 2 Paths of the proposed structural model for the study variables, analysis of the structural model paths, and hypothesis testing (see online version for colours)

Source: Outputs from the statistical analysis using AMOS software

Table 9   Results of testing the direct effects of governance principles on the dimensions of strategic operational performance according to the structural model

Hypothesis	Paths	Standardised path coefficient	Standard error	t-value	CR	Significance level
H1/1	Governance principles → Competitive performance	0.712	0.074	10.480	—	0.000**
H1/2	Governance principles → Operational performance	0.694	0.062	9.403	—	0.000**
H1/3	Governance principles → Financial performance	0.799	0.059	11.975	—	0.000**

Notes: NS: non-significant. **p < 0.01, *p < 0.05.

Source: The researcher prepared based on the statistical analysis results

As evident from Figure 2, the collected data are consistent with the proposed model. The results indicate that all fit indices for the model, after refinement, fall within acceptable limits. The standardised chi-square (CMIN/DF) value was 2.064, which is below the acceptable threshold of less than 5. Additionally, key fit indices such as the comparative fit index (CFI) and the Tucker-Lewis index (TLI) both exceeded the acceptable benchmark of 0.90. The root mean square error of approximation (RMSEA) did not exceed the acceptable range (0.05–0.08). These findings collectively demonstrate that the proposed model exhibits a good fit with the collected data, confirming its suitability for measuring the relationships among the study variables.

Figure 2 also reveals that the independent variable (governance principles) explained 54% of the variance and change in the first dimension of strategic operational performance (competitive performance), 51% of the variance in operational performance, and 72% of the variance and change in financial performance. This indicates that the independent variable (governance principles) explained a substantial and appropriate proportion of the variance and change in the dependent variables. Table 9 presents the results of testing the direct effects of governance principles on the dimensions of strategic operational performance, based on the structural model path analysis for this hypothesis, as follows:

6.5.8   Findings from Table 9

- Effect of governance principles on competitive performance:

  The effect of governance principles on competitive performance, as a dimension of strategic operational performance in Saudi family businesses, was significant, with a standardised path coefficient of 0.712 at the 0.05 significance level. This suggests that the application of governance principles by Saudi family businesses results in an improvement in their competitive performance. Therefore, the validity of the sub-hypothesis (H1/1) is entirely accepted. This result is consistent with the findings of Al-Muqaddam and Al-Azmi (2024), Tawfiq (2024) and Ghazali (2020), but differs from the results of Zawi and Lilia (2023).

- Effect of governance principles on operational performance:

  The effect of governance principles on operational performance, as a dimension of strategic operational performance in Saudi family businesses, was significant, with a standardised path coefficient of 0.694 at the 0.05 significance level. This suggests that the application of governance principles by Saudi family businesses results in an improvement in operational performance. Therefore, the validity of the sub-hypothesis (H1/2) is entirely accepted. Comparing this result with previous studies, it is consistent with the findings of Al-Muqaddam and Al-Azmi (2024), Tawfiq (2024) and Al-Dahdah (2020); however, it differs from the results of Zawi and Lilia (2023).

- Effect of governance principles on financial performance:

  The effect of governance principles on financial performance, as a dimension of strategic operational performance in Saudi family businesses, was significant, with a standardised path coefficient of 0.799 at the 0.05 significance level. This suggests that the application of governance principles by Saudi family businesses results in improved financial performance. Therefore, the validity of the sub-hypothesis (H1/3) is entirely accepted. Comparing this result with previous studies, it is consistent with the findings of Al-Muqaddam and Al-Azmi (2024), Tawfiq (2024) and Alabdullah et al. (2022); however, it differs from the results of Zawi and Lilia (2023).

Given the acceptance of the three sub-hypotheses derived from the central hypothesis of the study, the validity of the main hypothesis is also entirely accepted. The central hypothesis states: 'There is a statistically significant positive effect of governance principles on the development of strategic operational performance (competitive performance, operational performance, and financial performance) in family businesses in the Kingdom of Saudi Arabia'.

7   Results

Based on data analysis, the study concluded the following results:

- There is a statistically significant positive effect at the 0.05 significance level of applying governance principles on the development of strategic operational performance in family businesses in the Kingdom of Saudi Arabia, as evidenced by:

- A statistically significant positive effect at the 0.05 significance level of applying governance principles on the development of competitive performance in family businesses in the Kingdom of Saudi Arabia, with a path coefficient of 0.712.

- A statistically significant positive effect at the 0.05 significance level of applying governance principles on the development of operational performance in family businesses in the Kingdom of Saudi Arabia, with a path coefficient of 0.694.

- A statistically significant positive effect at the 0.05 significance level of applying governance principles on the development of financial performance in family businesses in the Kingdom of Saudi Arabia, with a path coefficient of 0.799.

8   Recommendations:

In light of the findings, the study recommends the following:

- The formation of highly competent boards of directors, comprising both internal and external members, is crucial in Saudi family businesses, as boards of directors are considered the cornerstone of family business success.

- Holding regular meetings among business families, as these meetings reduce family disputes over the management of family businesses and thus rationalise critical company decisions.

- Organising seminars, training courses, and workshops to familiarise those responsible for family businesses with the importance of applying governance principles, to raise awareness of these principles, and clarify their purpose as a management system.

- Establishing a performance management and measurement system in Saudi family businesses, enabling management at all levels to monitor organisational performance and ensure continuous improvement.

- Conducting further studies and research on the impact of governance principles on the strategic operational performance of family businesses in the Kingdom of Saudi Arabia through variables other than those included in this study.

9   Conclusions

This study has examined the impact of applying corporate governance principles on enhancing the strategic operational performance of family businesses in Saudi Arabia. The empirical findings confirm that sound governance practices, encompassing robust board mechanisms, transparent ownership structures, and effective oversight processes, contribute significantly to improving both strategic and operational outcomes in family-owned enterprises.

9.1   Unique contributions

The research offers three distinct contributions to the literature. First, it provides one of the few empirical assessments that specifically address the Saudi family business context, a sector that plays a pivotal role in the national economy yet remains underexplored in governance research. Second, the study integrates governance variables with strategic operational performance indicators, offering a holistic framework that links corporate governance to competitiveness, resilience, and efficiency. Third, it delivers context-specific insights that can inform policymakers, regulators, and family business owners in refining governance frameworks to align with Saudi Arabia's Vision 2030 objectives.

9.2   Limitations

Despite these contributions, the study is not without limitations. The cross-sectional design restricts the ability to infer causality between governance practices and

performance outcomes. The reliance on self-reported survey data may introduce response bias, particularly in sensitive areas such as ownership transparency and board accountability. Additionally, the sample is limited to Saudi family businesses, which may constrain the generalisability of the results to other cultural or economic contexts.

9.3 Future research directions

Future studies could employ longitudinal designs to capture the dynamic effects of governance reforms over time, especially in light of ongoing regulatory changes in Saudi Arabia. Comparative studies across different Middle Eastern and global economies could enhance understanding of cultural and institutional influences on governance-performance relationships. Moreover, incorporating qualitative methods such as in-depth interviews or case studies would provide richer insights into the internal dynamics of governance implementation within family businesses.

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Declarations

The author declares no conflict of interest.

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