CORPORATE GOVERNANCE AND BOARD CONFLICT SOLUTION: THE CASE OF LEBANESE FAMILY HEALTHCARE BUSINESSES

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Abstract

This study examines the intricate relationship between corporate governance mechanisms and the performance of family-owned hospitals in Lebanon. Specifically, it examined the impact of various governance factors, including board size, independence, duality, meeting frequency, and ownership structure, on the financial performance of these hospitals. By employing agency theory as the conceptual framework and qualitative methodology, which involves interviews with managers from three distinct hospitals in Lebanon, this study sheds light on the dynamics of conflicts between shareholders and managers within the context of family-owned hospitals. This study also explores how corporate governance mechanisms can effectively mitigate these conflicts and enhance shareholder value. The significance of this study lies in its contribution to the understanding of corporate governance practices within the Lebanese healthcare sector, offering valuable insights that extend to developing countries across the Middle East and North Africa (MENA) region. These findings suggest that fostering a more autonomous board structure can play a pivotal role in controlling top management and aligning the interests of shareholders and managers within the Lebanese healthcare landscape. Through a nuanced exploration of governance dynamics and their implications for financial performance, this study underscores the importance of robust governance frameworks for ensuring the sustainable success of family-owned hospitals. Ultimately, by elucidating the mechanisms by which governance practices influence organizational outcomes, this study offers practical implications for healthcare practitioners, policymakers, and stakeholders seeking to enhance governance effectiveness and performance in similar contexts.

Keywords: Duality, Dependency, Ownership, Board of Directors, CEO, Board Size, Meeting Frequency

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1. INTRODUCTION

This study examines the influence of corporate governance on the performance of family-owned hospitals in Lebanon. Corporate governance is a significant area of research on controlling hospitals to maximize shareholder wealth. When asymmetrical knowledge issues exist, managers have opportunities to achieve their interests at the expense of shareholders and poor mutual ties between managers and shareholders. For example, managers may introduce financial and spending plans or spend more on ventures without increasing the value of the hospital. Therefore, this dispute contributing to the costs for sale leads hospitals to sell the assets they control to another hospital below the market value. The primary goal of effective corporate management is to maximize stakeholder interests through the effective use of hospital tools, access to capital, and trust enhancement (Ergincan, 2011). Exposure to external circumstances mainly depends on how hospitalizations are handled and the efficiency of the hospital's organizational structure. This applies to existing organizations and international market conditions. Good corporate governance prevents management from expropriating hospital wealth and guarantees better decision-making and management. Consequently, client personnel are better allocated and significantly enhanced (Plastow et al., 2012). Most research on corporate governance and its impact on corporate performance has been conducted in developed countries, notably the United Kingdom and the United States of America (USA). However, relatively little is known about corporate governance in the Middle East, where cultural and economic considerations differ (Ashurov, 2014). In recent years, considerable progress has been made in the Lebanese economy despite the conflict in the Middle East (Chu et al., 2019).

Organizational theory is the leading theory on the interaction between corporate governance and organizational efficiency. Agency theory clarifies and resolves conflicts that occur in the business between corporate executives and shareholders. The main issue occurs when the latter does not meet the moral and financial duties of the executives who serve them (Tulung & Ramdani, 2018). By raising the issues and their needs, shareholders will, in turn, assist in maximizing firm value. Agency theory, therefore, provides a direct relationship between corporate governance and financial performance (Abdullah et al., 2011). The shareholder's overall interest is the maximization of value; as a result, a narrow definition is more relevant for investigating the impact of corporate governance on business performance. This is because corporate governance is directly linked to financial performance.

Corporate governance mechanisms maintain a hospital's strategic direction and the board's effective management oversight (de Haes et al., 2019). To reduce the friction between owners and management and obtain sufficient investment returns, the board of directors (BoD) is responsible for monitoring managerial actions (Carels et al., 2013). Therefore, the Management Committee is liable to work in the best interests of owners and executives. Thus, an efficient and autonomous board can control top management and match shareholder and manager interests (Al-Mamun et al., 2014). In this study, we chose Lebanon. The Lebanese climate was exciting for several reasons. First, this study can help us increase our understanding of corporate governance, specifically in the Lebanese healthcare sector, in terms of agency theory and where there are possible improvements to be addressed. Second, Lebanon is a poorly developed country; therefore, many other developing countries in similar political, cultural, environmental, and economic terms, particularly within the Middle East and North Africa (MENA), will benefit from the findings of this study (de Villiers & Dimes, 2021). Thus, this study aims to examine the relationship between board size, independence, duality, meeting frequency, ownership, and a hospital's financial performance. So, the main research question that the research will tackle is:

RQ: What is the impact of corporate governance factors on hospital performance in the Lebanese context?

This study will implement a qualitative technique by interviewing managers from three different hospitals in Lebanon.

The remainder of this paper is organized as follows. In Section 2, the theoretical framework is provided and previous literature is addressed to build propositions based on the literature review. In Section 3, the methodology is described. In Section 4, the results of the research based on qualitative methods, which were conducted by interviewing the BoD and chief executive officers (CEOs) of Lebanese hospitals, are presented. In Section 5, the findings and limitations are discussed. In Section 6, the final recommendations are outlined.

2. THEORETICAL FRAMEWORK

Agency theory is defined as the interpretation of corporate governance property rights and is a widely used paradigm for conceptualization; all definitions of corporate structure will continue with the premise that shareholders are the stakeholders (i.e., owners) in an operational sense (Matić & Papac, 2014). Agency theory is the central paradigm for examining the influence of corporate governance on business performance. Thus, corporate management is tackled by raising business issues and increasing shareholder value (Musa et al., 2017). This theory provides a solid theoretical basis for clarifying relationships and proposing solutions to agency problems. When the agency problem is mitigated, conflicts between agencies are reduced and shareholder returns are improved, boosting firm performance (Adam et al., 2015). The organization's issue is the conflict of interest implicit in any arrangement in which a person has to act in the best interests of others. Simultaneously, they were assigned by the officer (de Haes et al., 2019) To a specific decision-making authority. One of the clearest examples is partnerships between owners and managers. Conflicts between the principal and the agent (i.e., the managers) could result in costly inefficiencies that adversely impact the principal's welfare (Hussain & Loureiro, 2022). The actors are persons who are inherently focused rather than primary to maximize their benefits. Thus, control mechanisms and rewards should match counterparties' interests. As mentioned, investors aim to collect their investment returns and bear the residual risk of their operations because they rely on management.

2.1. Hypotheses development

Chief executive officer duality is claimed to have the highest level of company success because it permits the development and execution of plans through clear leadership (Tarando et al., 2015). CEO duality advocates also suggest combining these roles to concentrate on the targets and activities. In contrast, separation from the CEO and the chairman results in costs rather than advantages for larger companies (Istrefi, 2020). Therefore, the power of the controlling feature exploits the CEO's self-interest. This suggests that better monitoring results are needed to solve the problem of CEO non-duality. De Villiers and Dimes (2021) firmly support this position, claiming that CEO non-duality would minimize an organization's problems by expanding and splitting management roles from control functions. Hussain and Loureiro (2022) also highlight several drawbacks of CEO duality. They argue that if an individual becomes a chairman and CEO, the board's oversight and management capability will be diminished because of a lack of independence and conflicts of interest. However, they believe that the split between the president and the CEO will decrease the CEO's influence and increase the board's intensive control functions. The board would have greater freedom to assess the performance of the CEO and executives and provide unrelated judgment. Therefore, if a person holds both the CEO and the board's chair, the board's oversight role will be seriously damaged. The board's willingness to ensure that executive officers perform value-adding activities has a significant impact (Nsour & Al-Rjoub, 2022). According to Esan et al. (2022), outsiders comprise the worst corporate governance, and the board's chairman is the CEO. The co-CEO model allows for greater confidence and faster decision-making. A more reduced chain of command may improve the connections between the board and CEO and the execution of plans.

Companies with fewer workers or those operating in fast-paced sectors could gain significantly by streamlining their governance procedures to make decisions faster (Melis, 2003). A CEO and vice president are seen as necessary since they would reduce company oversight. According to governance experts, separating the roles of the chairman and CEO encourages autonomy in oversight and accountability (Arouri et al., 2011). When the head of a company also serves as its chairman, there is a higher chance that decisions will be biased in favor of the boss rather than shareholders. This could occur because of the concentration of authority. Delegating these tasks to separate individuals also encourages a range of perspectives and backgrounds at the federal level, which may result in more productive meetings and better strategies for the future (Esan et al., 2022). Researchers have obtained contradictory findings when studying the effects of a co-CEO on a company's performance. Some have made positive associations when asked to provide specific instances, whereas others have highlighted potential drawbacks. Various factors determine whether a co-CEO arrangement affects a company's performance (Istrefi, 2020). Among these factors are the CEO's leadership style and personal abilities, firm size, the sector in which it works, and the rules and procedures of corporate governance. This leads to the first hypothesis:

H1: There is a relationship between CEO duality and firm performance.

Several studies focusing on the influence of board size on company performance have yielded mixed results. Tarando et al. (2015) showed that board size is one of the most essential characteristics of board functionality. However, scientists have found that they cannot reach a consensus on its effect on firm efficiency. Agent theory posits a negative relationship between board size and performance. Two primary sources of board impact are present: A rise in contact and teamwork issues as the board grows in size, and a decrease in the board's ability to control operations, causing problems for the organization due to independent command and supervision. Chu et al. (2019) show that a successful board is nine members, while (Carels et al., 2013) demonstrate that firms with boards of about 15 have better stock returns and a net profit margin than those of different sizes. Board size restrictions of ten people would increase performance with a preferable size of eight or nine, as indicated by Chu et al. (2019) and Moreno-Ureba and Bravo-Urquiza (2019). It is strongly believed that expenses such as slower decision-making and less clear discussion about management performance and bias against risk-taking outweigh the benefits of increasing the board's size.

Bekiaris et al. (2013) stated that the relationship between board size and firm performance had been a topic of significant interest and debate in corporate governance research. Understanding how the composition and size of a BoD influence a firm's performance is crucial for investors, policymakers, and corporate leaders (Tulung & Ramdani, 2018). Although there is no one-size-fits-all answer to this complex relationship, examining various perspectives and empirical evidence can provide valuable insights into the dynamics at play. One perspective suggests that larger boards offer a broader range of expertise, diverse viewpoints, and skill sets that can enhance decision-making processes and strategic oversight (Abdullah et al., 2011). A larger board may possess a more extensive network of contacts, access to specialized knowledge, and experience in different industries or functional areas (Moreno-Ureba & Bravo-Urquiza, 2019). This diversity of perspectives can lead to more comprehensive discussions, better consideration of alternative strategies, and ultimately, more informed decisions (Carels et al., 2013). Additionally, a larger board may be better equipped to monitor and hold management accountable as more individuals oversee the company's operations and financial performance. This oversight function is particularly critical in ensuring that management actions align with shareholders' long-term interests (Al-Mamun et al., 2014).

However, an opposing viewpoint suggests that larger boards may suffer from inefficiency and coordination challenges. As the size of the board increases, it becomes increasingly difficult to facilitate meaningful discussions and reach consensus (Melis, 2003). Larger boards may also be prone to groupthink, where dissenting opinions are suppressed in favor of conformity, leading to suboptimal decision-making (Istrefi, 2020). Moreover, a larger board may result in higher administrative costs and demands for management time, as more directors must be briefed and involved in board meetings and activities (Arouri et al., 2011). These administrative burdens can detract from the board's strategic guidance and effectiveness of oversight. Additionally,

research has shown that large boards may experience difficulties aligning incentives and coordinating actions, leading to a lack of focus and coherence in corporate strategy (Esan et al., 2022). Empirical studies on the relationship between board size and firm performance have yielded mixed results. Some research suggests a positive correlation between larger boards and firm performance, particularly in industries characterized by rapid technological change or complex regulatory environments (Bekiaris et al., 2013). In this context, a larger board's diverse expertise and experience may be particularly beneficial in navigating uncertainty and identifying strategic opportunities (Tulung & Ramdani, 2018). However, other studies have found no significant relationship or negative association between board size and firm performance. Factors such as board composition, quality of board processes, and specific characteristics of the firm and its industry can moderate the impact of board size on performance outcomes. This leads to the second hypothesis:

H2: There is a relationship between board size and firm performance.

According to agency theory, the BoD is set up to monitor management and protect shareholders' interests because separation and management cause problems, and the costs of agencies lead to conflicting interests between managers and shareholders. The price and expropriation of departments and successful oversight are minimized, resulting in increased company efficiency (de Haes et al., 2019). Salehi et al. (2020) also claim that a board's makeup significantly impacts the quality of board oversight. It is believed that non-affiliated managers have incentives to supervise their functions and will not be associated with CEOs at shareholder expense because they are independent of the management of shares and can maintain their reputation for their services in the external market. The global movement toward greater board independence is based on the assumption that external directors make better choices and grow oversight research (Istrefi, 2020). Many regulators in several countries also stress the importance of board independence and the need for more seats for non-affiliated directors, such as the 2002 Sarbanes-Oxley Act in the USA and the 1992 Cadbury Report in the United Kingdom. The relationship between board independence and firm performance is a central concern in the corporate governance literature and practice (Esan et al., 2022). Board independence refers to the proportion of non-executive directors on a company's board who do not have affiliations with the company beyond their board role (Abdullah et al., 2011). These directors are expected to provide impartial oversight, challenge management decisions, and represent shareholders' interests. Understanding how a board's independence affects firm performance is crucial for investors, regulators, and corporate leaders seeking to enhance governance practices and maximize shareholder value (Carels et al., 2013). One perspective posits that higher board independence improves firm performance by strengthening the oversight, accountability, and decision-making processes (de Haes et al., 2019). Independent directors bring diverse expertise, perspectives, and experiences into the boardroom, enabling more robust discussions and better-informed decisions. By challenging management assumptions and conclusions, independent directors can mitigate agency conflicts and reduce the likelihood of managerial opportunism (Al-Mamun et al., 2014). Moreover, independent directors are often tasked with monitoring executive compensation to ensure it aligns with company performance and shareholder interests. This function can help to mitigate excessive executive pay and ensure that compensation packages are tied to long-term value creation (Arouri et al., 2011). However, critics argue that the relationship between board independence and firm performance is not always straightforward and may depend on various contextual factors. Some studies find mixed or inconclusive evidence regarding the impact of board independence on firm outcomes (Chu et al., 2019). In certain situations, overly independent boards may face challenges related to information asymmetry and lack of industry-specific knowledge or expertise (Bekiaris et al., 2013). Moreover, the effectiveness of independent directors in fulfilling their oversight responsibilities may be limited by factors such as board dynamics, power dynamics, and organizational culture. Independent directors may lack incentives or resources to effectively monitor management actions, leading to a potential "monitoring gap" between board oversight and firm performance (Tulung & Ramdani, 2018). This leads to the third hypothesis:

H3: There is a relationship between board independence and firm performance.

3. RESEARCH METHODOLOGY

The research implemented a qualitative approach to collect data from a selected sample of three hospitals in the Lebanese healthcare sector. The main reason is to address the impact of corporate governance on board conflict solutions. This was the main reason for the implementation of this case study. This study employed a deductive positivist approach, which established the basis of the previous theory and was used to develop its proposition because of the difficulties in obtaining data through interviews with different companies and the weak reactions of those companies. The empirical findings indicate that the test hypotheses have been proven or dismissed. The population is the total number of people or companies in a particular country, whereas the sample is considered a portion of the overall population. However, the study population was Lebanese family hospitals in general. In contrast, the research sample comprises three hospitals: "Hospital X", "Hospital Y", and "Hospital Z", explicitly addressing these hospitals' CEOs, chairmen, and the BoD. This is to declare that the interviews with the three hospitals will remain confidential and that the results will only be used for educational purposes. The identity of the interviewees remained anonymous. The decision to focus on only three hospitals in the Lebanese healthcare sector for this study was driven by several considerations. Firstly, the research aimed to delve deeply into the impact of corporate governance on board conflict resolution within the specific context of family-owned hospitals in Lebanon. By selecting a smaller sample size, the study could devote more attention to each case, allowing for a comprehensive examination of governance dynamics and conflict resolution mechanisms within these institutions. Additionally, the qualitative approach employed in the research

necessitated in-depth interviews with key stakeholders, including CEOs, chairmen, and BoD members. Given the sensitive nature of these interviews and the need for confidentiality, limiting the sample to three hospitals ensured that the research could maintain the anonymity of participants and uphold ethical standards. Moreover, practical constraints, such as difficulties obtaining data from a larger pool of hospitals and the limited responsiveness of some institutions, influenced the decision to focus on a smaller, more manageable sample size. The interviews took place in January 2024 and February 2024 and were done face-to-face. The data was transcribed using NVivo to create a thematic analysis and validate the research propositions.

3.1. Lebanese hospitals overview

Lebanon is one of the Arab region's most dynamic healthcare markets. Lebanon remains one of the leading regional healthcare companies, and its standard of healthcare is world-leading. The healthcare sector in Lebanon has recently slowed down, despite its superior services to neighboring countries and its resilience to the global recession, owing to a decline in the neighboring Syrian conflict and rising healthcare costs. Nevertheless, medical services cost less in Lebanon than in Europe or the USA. Many Lebanese residents are covered by health insurance, accounting for approximately 76% of the workforce.

The hospital sector in Lebanon constitutes a pivotal element of the nation's healthcare framework, addressing the medical requirements of its population and beyond. Predominantly characterized by a blend of public and private healthcare providers, Lebanon's healthcare landscape relies heavily on hospitals to deliver diverse medical services. Private ownership dominates this sector, with numerous hospitals offering advanced medical treatment and services that attract patients locally and regionally.

These hospitals offer a broad spectrum of medical services encompassing general healthcare, specialized treatments, surgical interventions, and emergency care. Equipped with modern medical technologies and staffed by skilled professionals, Lebanon hospitals strive to provide comprehensive healthcare solutions to patients. However, they encounter various challenges, including financial constraints, disparities in access, political instability, economic turmoil, and the repercussions of regional conflicts.

Lebanon has emerged as a prominent destination for medical tourism, attracting patients seeking specialized treatments and procedures. The sector operates within a regulatory framework overseen by the Ministry of Public Health (MoPH), ensuring adherence to quality standards, licensing, accreditation, and patient safety protocols. The COVID-19 pandemic has significantly impacted Lebanon's hospital sector, exacerbating existing challenges and highlighting the importance of robust healthcare systems.

4. INTERVIEW ANALYSIS

This section addresses the interview analysis based on thematic analysis and is divided into three subsections.

4.1. Impact of duality on hospital performance

In exploring the impact of duality on hospital performance, it is crucial to consider the perspectives of directors and CEOs from hospitals X, Y, and Z. Director X of Hospital X emphasizes the significance of coherence in decision-making within the board, stating: "*When an issue is discussed and decided upon on the board, it is important to evolve the coherence of decisions*" (personal communication, January 2024). This viewpoint underscores the argument for smaller board sizes, often associated with increased consensus and efficiency. Conversely, Director Y of Hospital Y suggests that larger board sizes can foster better discussion, asserting, "*Having too many members leads to good discussion*" (personal communication, January 2024), aligning with research suggesting diverse viewpoints from larger boards enhance decision quality.

Cohesion among board members is another critical factor that influences hospital governance. Director Y emphasizes the importance of unity within the board, noting, "*A minimum degree of unity is needed for board members to work as collegial teams*" (personal communication, January 2024), resonating with literature linking cohesion to organizational performance. However, Director Z expresses concerns about the negative impact of board size on cohesion, advocating for smaller boards, stating, "*The board is too large to be effective*" (personal communication, January 2024), highlighting the tension between board size and cohesion.

The role of diversity and competence within the board cannot be understood. Director Y acknowledges the importance of a mix of competencies for effective decision-making, stating, "*A mix of competencies is a must for good decision-making*" (personal communication, January 2024), aligning with research emphasizing diverse skill sets. However, Director Z offers a contrasting perspective, expressing reservations about diversity in certain aspects, such as age and gender, noting, "*We are against diversity in terms of age and gender*" (personal communication, January 2024), while emphasizing the importance of competencies and quality of board members.

CEO Y provides insight into the relationship between board size and financial performance, suggesting that a larger board size may contribute positively to financial outcomes by enhancing monitoring and service roles, aligning with the resource dependence theory. However, the findings from Hospital Z indicate a negative relationship between board size and economic performance, suggesting a nuanced relationship influenced by contextual factors. Finally, Directors X and Z underscore the importance of training and adaptability among board members. Director X highlighted the need for directors to adapt to the business environment. At the same time, Director Z mentioned providing training courses for directors, highlighting continuous learning and development.

4.2. Board independence on hospital performance

Examining the influence of board independence on hospital performance, it is essential to integrate insights from Directors X, Y, and Z, along with

CEO Y, from Hospitals X, Y, and Z. Director X of Hospital X underscores the importance of coherence in decision-making on the board, emphasizing the need for practical deliberation. This perspective suggests that a board with a degree of independence can facilitate impartial and well-considered decisions, ultimately contributing to improved hospital performance. Conversely, Director Y of Hospital Y advocates larger board sizes, highlighting the potential benefits of diverse perspectives in decision-making processes. However, Director Z of Hospital Z expressed concerns about the negative impact of board size on cohesion, indicating that larger boards may hinder effective communication and decision-making. These diverse perspectives suggest that the relationship between board independence and hospital performance is complex and context-dependent. Cohesion among board members emerges as a critical factor influencing hospital governance, with Director Y emphasizing the importance of unity within the board. This sentiment aligns with research highlighting the positive correlation between board cohesion and organizational performance. However, Director Z expressed concerns about the negative impact of board size on cohesion, suggesting that smaller boards may be more effective in fostering stronger interpersonal relationships and communication.

The roles of diversity and competence within the board also warrant consideration in the context of board independence. Director Y acknowledges the importance of a mix of competencies for effective decision-making, while Director Z expresses reservations about diversity in certain aspects, such as age and gender. These perspectives suggest that while board independence can promote diverse viewpoints and expertise, it may also present challenges related to cohesion and communication. CEO Y provides insight into the relationship between board size and financial performance, suggesting that a larger board size may positively contribute to financial outcomes by enhancing monitoring and service roles. However, the findings from Hospital Z indicate a negative relationship between board size and economic performance, suggesting that the impact of board independence on financial outcomes may vary depending on contextual factors. Finally, Directors X and Z underscore the importance of training and adaptability among board members, highlighting continuous learning and development as essential components of effective governance. This suggests that board independence may be enhanced by providing directors with the necessary tools and knowledge to fulfill their roles effectively.

4.3. Board size on hospital performance

In exploring the impact of board size on hospital performance, it is imperative to consider the perspectives offered by directors and CEOs from Hospitals X, Y, and Z. Director X of Hospital X highlights the significance of coherence in decision-making within the board, stating, "*When an issue is discussed and decided upon on the board, it is important to evolve the coherence of decisions*" (personal communication, January 2024). This viewpoint underscores the argument for smaller board sizes, often associated with increased consensus and efficiency in decision-making processes. Conversely, Director Y of Hospital Y suggests that larger board sizes can foster better discussion, asserting: "*Having too many members leads to good discussion*" (personal communication, January 2024). This perspective aligns with research suggesting that the diverse viewpoints brought about by larger boards can enhance the quality of decision outcomes.

Cohesion among board members is another critical factor that influences hospital governance. Director Y emphasizes the importance of unity within the board, noting: "*A minimum degree of unity is needed for board members to work as collegial teams*" (personal communication, January 2024). This sentiment resonates with the literature, highlighting the positive correlation between board cohesion and organizational performance. However, Director Z expresses concerns about the negative impact of board size on cohesion, advocating for smaller boards to facilitate focused discussions and stronger interpersonal relationships, stating: "*The board is too large to be effective*" (personal communication, January 2024). This viewpoint underscores the tension between board size and cohesion, with smaller boards often facilitating closer relationships between members.

The role of diversity and competence within the board cannot be understood. Director Y acknowledges the importance of a mix of competencies for effective decision-making, stating: "*A mix of competencies is a must for good decision-making*" (personal communication, January 2024). This aligns with research suggesting that diverse skill sets among board members contribute to more robust strategic discussions and decision-making outcomes. However, Director Z offers a contrasting perspective, expressing reservations about diversity in certain aspects, such as age and gender, noting: "*We are against diversity in terms of age and gender*" (personal communication, January 2024). Despite this, Director Z emphasized the importance of competencies and the quality of board members, particularly in the face of rapid technological changes.

CEO Y provides insight into the relationship between board size and financial performance, suggesting that a larger board size may positively contribute to economic outcomes by enhancing monitoring and service roles. The CEO Y states: "*A larger board is more likely to have a wider range of skills, knowledge, and expertise*" (personal communication, January 2024). This perspective aligns with the resource dependence theory, which suggests that larger boards can provide greater access to resources and expertise. However, the findings from Hospital Z indicate a negative relationship between board size and financial performance, with smaller boards being more effective in controlling performance. This suggests a nuanced relationship between board size and economic outcomes, which may vary depending on the contextual factors.

Finally, the importance of training and adaptability among board members is underscored by Directors X and Z. Director X highlights the need for directors to adapt to the business environment, stating: "*A director must adapt himself to the environment in which he operates*" (personal communication, January 2024). Director Z mentions providing training courses for directors to enhance board effectiveness and adaptability, noting:

"*The hospital has provided training courses for the directors*" (personal communication, January 2024). These insights highlight the role of continuous learning and development in ensuring that board members are equipped to navigate hospital governance complexities effectively.

4.4. Summary of interviews

The comparison across three hypothetical Hospitals X, Y, and Z, reveals distinctive patterns in the key determinants influencing hospital performance. Although all hospitals acknowledge the importance of independent directors in mitigating the impact of dependency, their board sizes vary significantly. Hospital Y boasts the most significant board size of eight members, followed by Hospital X with six members and Hospital Z with four. This discrepancy underscores the potential for diverse perspectives and enriched decision-making in hospitals with larger boards. Moreover, differences in meeting frequency are apparent, with Hospital X holding meetings less frequently, Hospital Y holding them at a higher frequency, and Hospital Z falling in between. This divergence suggests varying levels of accountability and clarity of roles across hospitals.

Additionally, duality differed among hospitals, with Hospital X and Hospital Z exhibiting high duality, whereas Hospital Y did not have duality. This contrast highlights the potential for conflicts of interest between shareholders and managers, which may impact decision-making processes differently across hospitals. Furthermore, variations in board experience are evident, with Hospital X boasting a higher level of expertise than Hospital Y and Hospital Z falling in between. This difference suggests potential disparities in the decision-making quality and overall hospital performance. Additionally, differences in the number of employees further emphasize the varying degrees of dependency among hospitals. Hospital X has the largest workforce of 400 employees, followed by Hospital Y with 250 employees and Hospital Z with 200 employees.

Finally, disparities in family ties within the boards are apparent, with Hospital X and Hospital Z demonstrating higher family ties while Hospital Y exhibits lower family ties. These differences underscore potential variations in conflicts of interest within boards, which could affect decision-making processes and hospital performance differently across hospitals. The distinctive patterns observed across hospitals highlight the importance of understanding and optimizing governance structures, board dynamics, and organizational characteristics to enhance overall hospital performance and quality of care.

Table 1. Hypotheses validation

Hospital determinants	*Hospital X*	*Hospital Y*	*Hospital Z*	*Observation comment specificity*
Dependency	High	Low	High	A dependent BoD tends to impact the hospital's performance. However, independent directors are considered necessary.
Board size	6	8	4	Higher board size tends to positively impact the hospital's performance since there might be different opinions.
Meeting frequency	Low	High	Moderate	Higher meeting frequency leads to better segregation of duties and job responsibilities in the hospital.
Duality	High	Absent	High	Higher duality leads to a higher conflict of interest between shareholders and managers.
Experience	High	Low	Medium	The higher the size of the board, the higher the experience will be from the CEO and BoD perspectives.
Number of employees	400	250	200	The smaller the hospital, the higher the dependency.
Family ties	High	Low	High	The higher the family ties, the higher the conflict of interest.

Source: Authors' elaboration.

4.5. Comparative analysis between hospitals

The comparative analysis across Hospitals X, Y, and Z, as depicted in Table 2, reveals distinct patterns in the relationship between critical factors and hospital performance. First, concerning independence and hospital performance, Hospital Z is the sole institution in which independence correlates positively with performance. This suggests that an independent board structure may contribute significantly to improved performance, specifically in Hospital Z. Hospitals X and Y lacked a correlation between independence and performance, indicating that independence might not substantially influence performance within these contexts. Second, all three hospitals (X, Y, and Z) showed a positive relationship between board size and hospital performance. This finding suggests that larger boards may enhance decision-making processes and overall performance irrespective of the hospital's circumstances or organizational structure.

Table 2. Comparative table

Hypotheses	*Hospital X*	*Hospital Y*	*Hospital Z*
1. Independence and hospital performance	No	No	Yes
2. Board size and hospital performance	Yes	Yes	Yes
3. Board independence and hospital performance	Yes	No	Yes

Source: Authors' elaboration.

The positive correlation emphasizes the potential benefits of the diverse perspectives and expertise that larger boards can offer in navigating complex healthcare challenges. However, when considering board independence and its impact on hospital performance, Hospitals X and Z demonstrated a positive correlation, indicating that an independent board structure may positively influence performance in these institutions. This underscores the importance of governance structures in facilitating effective

decision-making and strategic oversight. By contrast, Hospital Y does not exhibit a similar relationship, suggesting that board independence may not significantly impact performance in this context. These discrepancies underscore the nuanced nature of governance dynamics in healthcare institutions and highlight the importance of tailored approaches to optimizing organizational effectiveness. Understanding these relationships is essential for healthcare leaders and policymakers in crafting governance strategies that align with each hospital's unique needs and challenges.

5. DISCUSSION OF THE FINDINGS

This study concentrates on family business governance in Lebanon. These institutions are one of the pillars of the Lebanese economy as long as they are the largest in Lebanon. This is why we were involved in identifying this kind of hospital in our research. The research focused on three family-owned hospitals that we found inadequate to produce the findings. Our study was based on the number of family-owned hospitals, and the information gap has contributed to our analysis being limited to three hospitals. This analysis allowed us to learn about some of family business governance's theoretical and practical elements (de Haes et al., 2019). From an empirical perspective, the few results presented here have made it possible to understand how family-owned companies are a rich field of research (Chu et al., 2019). There are many re-evaluating measures, such as checking the governance structures of family-owned and non-family companies and re-evaluating the size, age, or generation that controls them (Esan et al., 2022). Our results did not indicate any significant impact of board size on hospital efficiency. Large blocks of clinics, usually representatives of one or more groups, are concentrated in Lebanese hospitals. This could lead managers and board leaders to be selected not based on experience and skills but on affinity and nepotism. These cliques can use their positions to control management decisions and weaken the management board's supervision and cooperation, leaving them unable to affect management and business results (Esan et al., 2022).

CEO duality displayed a positive partnership in contrast to the agency's perspective. CEO duality is an issue because the CEO accountable for the organization's success is the same manager liable for productivity assessment (Hussain & Loureiro, 2022). Duality often raises CEO duties, thus reducing the possibility of a successful business appraisal. This is because the authority is concentrated on one supervisor, which leads to lower business performance. The results further support shareholder theory, which notes that keeping the same organization's CEO and chairperson can improve firm efficiency, as tracking is performed more explicitly. Lebanese hospitals might be helpful if they have a CEO duality of CEO because they provide strong leadership, supervision, and consistency.

In addition, the president is often the hospital's founder and is therefore more likely to be the CEO in Lebanon because the president is more knowledgeable and skilled in the hospital. Unlike large companies in developed countries, Lebanese hospitals operate in relatively simple business environments. However, because they are part-time workers, they are less able to perform their duties. They may also have other responsibilities that could impair their dedication to successful surveillance. They cannot know all corporate activities and profits (Istrefi, 2020). Finally, the CEO and the National Endowment for Democracy may have private ties that could reduce their involvement. This is notably so where long periods in the business have been named. This has been proven by interviews conducted with Hospitals X and Z, where duality exists, and the hospital's financial performance will be negatively affected.

The BoD held several yearly meetings to discuss and share ideas. Nevertheless, the number of meetings varies between hospitals and businesses, and the facility's financial performance is particularly affected if the hospital's capacity is high and the frequency of meetings is low. Hospital X appears to operate twice a year; the mid-term audit is addressed during one meeting, and the second at the end of the year addresses the regular audit (Nsour & Al-Rjoub, 2022). This continues to adversely affect hospitals' financial performance, as only the findings are presented in sessions, and many other topics, including the agenda, operational issues, business plan, and growth, are omitted. This also means that activities will last longer and impact organizational efficiency (Esan et al., 2022). Therefore, not all the lists the BoD and CEOs provide can be addressed if only two meetings are held annually. This creates a gap in all hospital matters, obliging the CEO to have casual meetings for financial concerns since Hospital X maintains duality, implying that the CEO is also a board member. It should be noted that informal meetings held in Hospital X can contribute to conflicts of interest between the BoD and the CEO because shareholders have money and income in the hospital alone.

The number of meetings held regularly by the BoD to make decisions and share ideas is specified in the frequency of meetings. However, the number of meetings can differ from hospital to hospital and from business to corporation, impacting the hospital's financial performance, mainly if the hospital is large and the frequency of meetings is minor (Esan et al., 2022). Referring back to the case of Hospital X, for example, meetings are often conducted twice a year; the mid-year assessment is addressed at one conference, and the second is discussed at the end of the year. It continues to adversely affect the hospital's financial performance because only the findings are covered during the discussions, and many other topics are omitted, such as policy, operational issues, business plans, and development issues (Hussain & Loureiro, 2022). This also ensures that projects are not addressed and organizational efficiency is not influenced. Therefore, in only two sessions annually, it is impossible to cover everything the BoD and CEO want to accomplish. This would make the CEO informal in the event of operational problems because of the duality in Hospital X, which means that the CEO is simultaneously a member of the board, thereby creating a gap in all hospital issues (Istrefi, 2020). It is stated that casual meetings held in Hospital X can contribute to a conflict of interest between the BoD and the resident-in-office because shareholders only have funds and revenue at the hospital.

The findings outlined in this study present a nuanced perspective on family business governance within the context of Lebanese hospitals, revealing distinctive insights that diverge from conventional research paradigms (Chu et al., 2019). Unlike broader studies, which often encompass a larger pool of family-owned enterprises, this research focused specifically on three family-owned hospitals in Lebanon, a choice influenced by the unique prominence and significance of such institutions within the country's economy. While the empirical analysis shed light on various theoretical and practical aspects of family business governance, the study's emphasis on a limited number of hospitals underscored the challenges posed by the scarcity of data within this niche domain (Carels et al., 2013). Contrary to some prevailing notions, the investigation indicated that board size did not significantly impact hospital efficiency. This suggests a departure from established assumptions regarding governance dynamics within family-owned healthcare facilities. Additionally, the exploration of CEO duality within these hospitals offered a nuanced perspective, highlighting the potential benefits of such a structure in fostering strong leadership and stability, particularly in Lebanese hospitals where the president often assumes the CEO role (Chu et al., 2019). Moreover, the study elucidated how variations in the frequency of board meetings could directly influence financial performance, particularly in larger hospitals with infrequent meetings, underscoring the need for tailored governance strategies within the Lebanese healthcare sector. These findings contribute to a deeper understanding of the intricate interplay between governance structures, organizational dynamics, and performance outcomes within the context of family-owned hospitals, offering valuable insights that deviate from more generalized frameworks prevalent in the existing literature.

6. CONCLUSION

Corporate governance policies within Lebanese hospitals were examined qualitatively. Past corporate governance research in Lebanon was conducted in private companies using a quantitative method. Only a few studies have examined corporate governance in hospitals. This research adds to and extends previous studies on corporate governance in Lebanon. The findings of this study show poor governance in Lebanese hospitals. The findings clarify the vast gap between the corporate governance philosophy and Lebanese hospital procedures. This study offers suggestions for improving corporate governance frameworks and processes in Lebanon.

Human resources are one of the most critical assets of an organization. It is essential to retain and hire employees. Consider the example of the boss who quit because he thought the managing director had stopped treating workers with dignity. Due to disinformation and poor treatment of employees, many businesses have lost their personnel. Management should consider the recommendations suggested by the Lebanese Business Council Committee, which encourages appreciation for and equal treatment of employees to prevent or reverse this trend. Cultural sensitivity is an essential factor for the workers in Lebanon. In this way, Lebanese workplace culture will be enhanced.

For supervisory committees, having separate members is beneficial. However, good corporate governance cannot be achieved with independent commissioners alone. Good corporate leadership emerges from the community permeated by board members. A community is generated by introducing a specific framework or pattern to an entity. Thus, improving the board atmosphere is necessary to mitigate corporate fraud. Nonetheless, these elements primarily deal with structural issues, and many have suggested various components required for effective corporate administration. A paradigm shift in the Lebanese corporate culture is necessary to achieve good corporate governance. Changes in Lebanese hospitals' organizational culture may be implemented by higher management rates, which are inspired to become agents of change. They take care of the organization's development. It is difficult for these people to make such changes.

The promotion of potential change agents to seniority posts is greatly hampered if the government intervenes in appointing members to the boards of directors and commissioners. Board members appointed by the government should probably put their allegiance to the government and its political agenda, thus making it difficult for corporate culture to change accordingly. The domino effect continues, meaning the board expects employees to have the same unquestioning loyalty. The basis of sound business conduct cannot be such practice. In addition, skilled corporate managers hired by Lebanese hospitals would not usually last for a long time because of frustration with the corporate culture, which constantly appoints government nominees. Professional management offers possible stimuli for cultural change in every organization, including Lebanese hospitals. Such executives are qualified to run organizations effectively, and many have a drive and commitment to develop or change their respective companies. If these people decide to leave, hospitals will suffer the depletion of their human capital. If they move to another business, managers who work face-to-face with clients welcome essential consumers.

This study contributes to the theoretical understanding of corporate governance in the context of family-owned hospitals, particularly in Lebanon and the broader MENA and North Africa region. This study offers insights into the intricate relationship between governance mechanisms and financial performance by applying agency theory as a conceptual framework. Specifically, it examines the impact of various governance factors such as board size, independence, duality, meeting frequency, and ownership structure on hospital performance. Using qualitative methodology, including interviews with managers from different hospitals, this study delves into the dynamics of conflicts between shareholders and managers, shedding light on how governance mechanisms can mitigate these conflicts. Furthermore, the study extends the existing theoretical knowledge by emphasizing the significance of an autonomous board structure in controlling top management and aligning the interests of shareholders and managers. By exploring these governance dynamics in the unique context of family-owned hospitals, this study adds nuance to agency theory, providing a deeper understanding of how governance practices influence organizational outcomes.

This study offers valuable insights for healthcare practitioners, policymakers, and stakeholders involved in the governance and management of family-owned hospitals. The findings highlight the importance of robust governance frameworks in ensuring the sustainable success of hospitals in Lebanon and other similar contexts. Specifically, the emphasis on fostering a more autonomous board structure underscores the practical significance of the governance reforms to enhance board effectiveness and accountability. Moreover, this study provides actionable recommendations for improving governance practices within family-owned hospitals, including strategies to address conflicts between shareholders and managers. This research offers practical implications for improving hospital performance and governance effectiveness by elucidating how governance mechanisms can enhance shareholder value.

Although the findings of any study are significant, they are always limited. Statistics from annual reports were not accessible and did not examine the influence of the Lebanese Hospital Board Subcommittees. The researcher sought to contact the hospitals for interviews via telephone and e-mail to obtain information on the membership or composition of such committees. Therefore, for these organizations, the words for the BoD are still fresh, and not all have started to create such committees on their boards. The organization's existence could be affected by most businesses that do not have such commissions. For starters, the essence of the hospital is not complicated for certain companies, and board committees are thus not required. Therefore, if the size of the hospital is minimal, these board committees need not be formed. Usually, there is a tendency to present unanimous decisions; hence, a majority's viewpoint is considered representative, even when the minority's viewpoint is valid. This may result in premature agreement and decisions regarding mediocre quality. Minorities may be unwilling to pursue their viewpoints, fear that they will stand out, and may be labeled uncooperative. This study uses qualitative research in three Lebanese hospitals to analyze corporate governance. There are numerous limitations to qualitative analysis. Data gathered in face-to-face interviews were subject to biases such as recall gaps and social perceptions. The participants could have answered the questions incorrectly because they could not recognize inappropriate behavior. The respondent sample can be called an opportunistic survey, which can contribute to incomplete explanations of the findings. No private enterprises or other entities, such as non-profit organizations can be included in this analysis. This is because the report focused on three Lebanese hospitals. In addition, the research could not tackle the minutes of meetings because the hospitals refused to let the researcher look at them. These confidential issues are not disclosed and should remain in the hospital and not be viewed by the public. However, it is recommended that more interview questions be proposed and more time be delegated to obtain answers from the BoD, the CEO, and all other stakeholders. The BoD and the CEO can ask indirect questions to obtain information about the board's minutes.

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