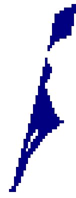

CORPORATE GOVERNANCE IN FAMILY FIRMS

SECTION 2

FAMILY BUSINESS IDENTITY AND CORPORATE GOVERNANCE ATTRIBUTES: EVIDENCE ON FAMILY-OWNED ENTERPRISES IN THE UAE

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Abstract

Over the past decades, the empirical evidence on the intersection of family businesses and corporate governance has flourished significantly in the context of developed economies. Yet, little is known to date about the effectiveness of various governance mechanisms in family-owned enterprises operating in emerging markets. Due to the evolving nature of corporate governance frameworks in these markets, family business practitioners need to enhance their knowledge about governance arrangements that may lead to superior performance outcomes. Our aim is to contribute to the literature and assist practitioners by exploring the relationship between family business identity and corporate governance attributes in family-run companies located in the UAE. Data related to organisational background, familial identification and governance devices were gathered from secondary sources for a sample of 195 UAE-based family firms. Based on quantitative data analyses, we uncover the prevailing characteristics of family businesses in the UAE and identify how the familial identification of its members is associated with structural attributes of board of directors and top management team (e.g., size, family relatedness, gender and cultural diversity). The concluding section discusses the contributions of our study and delineates priorities for future research in the field.

Keywords: Family Business Identity, Corporate Governance Attributes, Board of Directors, Top Management Team, United Arab Emirates

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1. INTRODUCTION

The prevalence of family-owned enterprises across different continents has been an intriguing subject for researchers for several decades (Liu et al., 2012; Eulaiwi et al., 2016). As a result of continuous scholarly attempts to evaluate the financial superiority of family firms over their non-family counterparts, a critical differentiating factor emerged through the influence that families exert on the firm via ownership, management and control. Many concerns started to be voiced about family businesses' lack of strategic planning, poor commitment to future growth and development, and weak succession management that undermine their capacity to compete in the long run (Gallo et al., 2004; Bodolica et al., 2015). Prior studies also revealed that family control gives rise to the principal-principal agency problem, which may result in the self-serving behaviour of majority

family owners and the expropriation of minority non-family shareholders (Bartholomeusz and Tanewski, 2006; Setiawan et al., 2016). The unique interplay of often-incompatible family needs and business considerations adds to the complexity of family-run organisations calling for the adoption of relevant mechanisms of corporate governance.

Many research efforts have been deployed to uncover and better understand the peculiarities of the governance system in family firms. In their theoretical article, Bodolica and Spraggon (2010) posited that the optimal governance configuration in these firms implies a fruitful coexistence of multiple attributes of control stemming from the complementarity of contractual and relational governance devices that mutually reinforce each other. To unveil significant patterns via empirical studies, a broad array of variables has been deployed such as the Chief Executive Officer (CEO)/chairperson duality leadership (Amran and Ahmad, 2009; Zhou et al., 2013), structural features of the board of directors (Napoli, 2012; Rouyer, 2016), the type of top management – founder, family or professional CEO (Eklund et al., 2013; Laguir and Elbaz, 2014), and the generational phase of the family business (Bammens et al., 2008). Having produced inconsistent results, scholars concluded that the efficacy of corporate governance attributes is influenced by the specificities of the institutional environment and regulatory framework of the country in which a company is located and operate (Peng and Jiang, 2010).

Over the past years, we witnessed a steady increase in researchers' interest in the topic of family business governance in emerging markets, such as China (Zhou et al., 2013), India (Bhatt and Bhattacharya, 2015), Indonesia (Setiawan et al., 2016) and Malaysia (Amran and Ahmad, 2009). Selected studies started addressing the question of family ownership and control in the specific context of organizations from the Middle East and North Africa (MENA), including Lebanon (Salloum et al., 2013), Oman (Amrah et al., 2015), and the United Arab Emirates (UAE) (Bodolica et al., 2015). Recently, Eulaiwi et al. (2016) argued that the countries of the Gulf Cooperation Council (GCC) face distinctive political and economic realities that set them apart from the other MENA states, warranting a differentiated examination of the dynamics of their family business activity. The GCC region is characterized by the prevalence of powerful families, significant oil-related reserves and national revenues, high political stability and standard of living, tax-free economy, huge reliance on expatriate workforce, small stock markets' size, weaker protection of minority shareholders, high ownership concentration, wider regulatory gaps, and constantly evolving institutional frameworks and corporate governance infrastructures (Spraggon and Bodolica, 2014).

Little empirical evidence was gathered to date on governance practices in family-owned enterprises located in the GCC. Surprisingly, many family organisations in the region do not publicly display their family business status on their corporate website or do not openly reveal their familial aspect in the mission or vision statements. The lack of identification with the familial connotation of the business may derail family members' pursuit of non-financial goals, such as the founder's legacy and family continuation, and threaten the survival of the company across multiple generations (Gomez-Mejia et al., 2011). While many scholars examined the dynamics of identity formation in family firms (Schmidts and Shepherd, 2015), only a few positioned their analysis at the intersection of identity management and corporate governance in these firms (Bodolica et al., 2015; Cannella et al., 2015). The way an organisation manages its family and business identities can reveal important consequences in terms of optimal governance configurations in family enterprises (Bodolica and Spraggon, 2010).

The purpose of this article is twofold. First, given the scarcity of contextual knowledge in the field, we seek to uncover the prevailing characteristics of family businesses operating in the UAE. Second, we examine the relationship between the public display of family business identity and corporate governance attributes in UAE-based family firms. In this study, the disclosure of the family business status (or history) on the company website is employed as a proxy for family members' familial identification.

In the next section, we review the outcomes of two relevant literature streams on governance arrangements in family firms and family business identity management. Following a thorough description of the data collection and analysis process, we present two sets of findings. The first set is associated with the dominant characteristics of family-owned enterprises in the UAE, while the second relates to the relationship between the familial identification and corporate governance mechanisms in these enterprises. In the discussion section, we integrate our empirical results with the current literature in the field. The final section, which identifies both the contributions and limitations of our study and delineates priorities for future research, concludes this article.

2. LITERATURE REVIEW

2.1. Governance in family firms

Despite the wealth of empirical research on the topic, the outcomes regarding the performance implications of family ownership and the effectiveness of various governance mechanisms in the context of family firms remain inconclusive. In a study of 700,000 private companies operating in the United Kingdom (UK) over the 2007-2010 period, Wilson et al. (2013) showed that family businesses are more likely to survive than their nonfamily counterparts. The lower failure rates of family-owned enterprises are explained by a number of structural features of the board of directors that highlight the critical importance of investing in human and social capital resources to secure family business longevity. The authors reported that board's size, stability and gender diversity, the ratio of dependent board members, and directors' age, experience, professional networks and physical proximity to the firm's headquarters significantly reduce the risk of a family-run organisation going bankrupt.

Zhou et al. (2013) evaluated how the specific combination of various governance attributes, including family ownership, management and control, affected the performance of 2,924 family

enterprises listed on Chinese stock exchanges between 2000 and 2009. Their results indicated that in order to secure superior corporate returns, the family business founder has to either embrace the dual CEO/chairperson role or exert governance control via his chairmanship of the board while another family member assumes the firm leadership by occupying the position of the CEO. These scholars demonstrated that in Chinese family businesses, family CEOs could outperform professional ones when the founder is the chair of the board. Examining 786 publicly traded family enterprises in Taiwan over a similar time frame, Chu (2011) arrived to the same conclusion. The author found that firm performance is particularly strong when family representatives serve in directorial and board chair roles or in the CEO and top management positions. The alignment of empirical findings produced by Zhou et al. (2013) and Chu (2011) may be due to the similarity of institutional and regulatory environments in China and Taiwan.

Eklund et al. (2013) made their contribution to the literature by focusing on performance implications of different types of top management in a sample of 234 listed firms in Sweden over the 1990-2005 period. While founder leadership and professional CEOs had a positive impact on the accounting performance of family firms, the senior management by a descendant generated negative performance consequences. Recently, Laguir and Elbaz (2014) assessed the corporate social responsibility practices in 68 publicly traded family firms in France between 2005 and 2011. Companies that are managed by professional CEOs rather than family CEOs and where the family involvement in management is low were found to exhibit higher levels of social performance. While both studies seem to indicate that non-family leadership produces financial and social benefits for family-owned enterprises, the results of Eklund et al. (2013) suggest that the governance role of the founding CEO should not be underestimated.

The monitoring effectiveness of independent directors in the context of family businesses is equivocal with many studies uncovering inconsistent results. Contrary to Wilson et al. (2013), who reported a negative correlation between outsiders and firm performance, and Bhatt and Bhattacharya (2015), who unveiled an insignificant relationship, Salloum et al. (2013) found that a larger number of insiders increased the likelihood of financial distress. Yet, other governance factors (e.g., CEO/chairperson duality, the percentage of insiders' ownership, female directorship and tenure on board) were insignificant predictors of financial distress in 178 non-listed Lebanese family companies over the 2004-2008 period. Extending her analysis of 250 large publicly traded firms in France to include another critical board feature, Rouyer (2016) uncovered a positive association between board busyness and long-term financial performance. This finding is aligned with the resource-based view, which suggests that multiple directorships allow board members to expand their networks and bring in new ideas for corporate growth and development.

Contrary to Rouyer (2016) who showed that family ownership is not a significant predictor of performance, Bhatt and Bhattacharya (2015) demonstrated that family firms outperform their non-family peers in a sample of 114 information technology companies in India between 2006 and 2011. While independent directors and the number of board meetings were not associated with firm performance, board size and attendance of board meetings emerged as significant drivers of performance in these firms. Their finding related to board size was contradicted by Salloum et al. (2013), who indicated that larger boards lead to poor financial outcomes in family firms from Lebanon. In line with Bhatt and Bhattacharya (2015), Napoli (2012) found that the mere presence of outsiders on the corporate board of 187 Italian small and medium-sized family enterprises in the machinery production sector did not produce performance enhancement effects. Consistent with the dynamic change management perspective, the author argued that companies that make dynamic changes in the composition of outsiders on their board of directors achieve higher performance outcomes.

Positing that the need for board advice and control varies over the different stages of the organisational lifecycle, Bammens et al. (2008) concluded that the likelihood of having outsiders and family directors depends on the specific generational phase of the firm. In their analysis of 286 Belgian family businesses, they showed that the demand for board advice and outside directors changed across the first three generations, while the demand for board control and family directors increased over the generations. According to Voordeckers et al. (2007), who employed a sample of 211 small and medium-sized family firms in Belgium, the board of directors' composition is driven by family contingencies rather than agency considerations. The choice between insiders, outsiders and family members when staffing the corporate board is dependent upon the relative importance of either family or business objectives. When a company is focused on preserving the family legacy, in the long run, its board is more likely to have insiders and family representatives, whereas when the emphasis is placed on profit maximisation, a higher number of outside directors are invited to the board. These findings raise the need for a closer examination of various aspects related to family business identity in the context of family firms.

2.2. Family business identity

Prior studies that examined identity management in the context of family-owned enterprises developed their research questions from the fundamental prescriptions of social identification theory (Hogg et al., 1995). It is generally agreed that if members identify with their social group or organisation, their sense of belongingness to a given institution and commitment to achieving mutually beneficial goals significantly increases. Since the familial component is inherent to family business identity, people in organisations are inclined to focus on collective decision-making processes, which are inclusive of different opinions, interests and points of view of family representatives that converge toward the preservation of family reputation, image and control (Cannella et al., 2015). According to Gomez-Mejia et al. (2011), the familial identification of corporate actors generates socio-emotional wealth that is crucial for pursuing non-monetary advantages associated with the continuation of the business within the hands of the founding family.

In a recent conceptual paper, Sauerwald and Peng (2013) relied on the social identity perspective to theorise on the association between informal institutions of culture, norms and trust, which lead to the emergence of shared social identity, and stakeholders' propensity to engage in principal–principal conflicts. The authors argued that in the case of lacking family objectives and loosely defined norms for collective action, family shareholders would not derive added utility from their ownership of the business due to their avoidance of principal–principal conflicts of interest. Conversely, when the social identity among family representatives is strong, many non-financial goals related to family legacy and business longevity would be highly valued by family members, inducing them to involve in relevant actions for the enjoyment of their private benefits of control of the family firm. In a single case study of family business from New Zealand, Schmidts and Shepherd (2015) uncovered six factors that contribute to the formation of family identity and social capital, including value orientation, exposure to the public, family legacy, business dependence, passion for industry and community involvement.

While many researchers focused on the analysis of dynamics of identity formation in family firms (Miller et al., 2011), only a few scholarly attempts were made to link family business identity with corporate governance arrangements in these firms. For a sample of 145 public family-controlled companies in the United States, Cannella et al. (2015) examined governance manifestations of organisational identity as reflected in the structure of corporate boards of directors. Since their key priority is to maintain influence and control with the tight involvement of various family representatives from different generations, family enterprises are more likely to create interlocks with similar firms, invite directors with prior experience in family businesses and keep board members in their positions for longer periods of time. The authors provided empirical evidence in support of social identity theory, where the identification of organisations with others of their same type serves as a micro-foundation for explaining the selection of certain categories of directors by certain categories of firms.

Building on the key premises of boundary theory, Bodolica and Spraggon (2010) advanced a conceptual framework in which the optimal corporate governance configuration in family firms is dependent upon the specific management of boundaries between family and business identities. In companies with either integrated or segmented family businesses identities relational and contractual devices effectively substituted the governance discipline instituted by each other, while in family firms pursuing differential permeability strategy various governance mechanisms complemented each other. Recently, Bodolica et al. (2015) tested the applicability of the boundary management theory in a single case study of a family business operating in the UAE market. To explain the continued success and optimal governance of this family firm, the authors uncovered the dynamic nature of boundary strategies whereby several elements from family and business spheres were allowed to flexibly permeate into each other at different degrees along the integration-segmentation continuum.

Our empirical study described below aims to contribute to this nascent stream of research located at the intersection of identity management and corporate governance in the specific context of UAE-based family-run organisations.

3. METHODS

3.1. Data collection

Our data collection process started by contacting via email all the Chambers of Commerce and Industry in the UAE to request a comprehensive list of family-owned businesses operating in each Emirate. After juxtaposing the contents of different files received, checking for accuracy in company names and crossing out repetitions, we were able to create a consolidated list of family-run enterprises based in the country. This procedure resulted in a preliminary sample of 274 privately held family businesses located in the UAE. An initial analysis of these firms revealed that most of them were registered as limited liability companies and only a few of them – as joint stock firms.

Since this study is concerned with the examination of the public display of family business identity and its relationship with corporate governance arrangements, the inclusion in our sample required the availability of a corporate website. Having noticed that many organisations did not have an official website, our list was narrowed down to 208 family companies. The process continued by screening the information posted on the website and Zawya database to corroborate the availability of relevant data for the conduct of our research. Over a dozen of firms were subsequently eliminated due to very limited or nonexistent governance information, resulting in a final sample of 195 UAE-based family enterprises.

A team of five researchers and research assistants was involved in the manual gathering of data from two secondary sources, namely the corporate website and Zawya database. Three sets of data were collected from these sources, including the organisation's background information, family business identity and corporate governance. To unveil the dominant features of family firms in the UAE, we searched for background data regarding their age, size, industry and countries of operation. The family business identity was examined through a number of variables that pertain to the indication or availability on the official website of mission and vision statements, family business status, company history, code of ethics, owners from the same family, and family generations involved in the business. Finally, the corporate governance information included several characteristics of boards of directors and top management teams, such as size, gender, nationality, family relatedness, and bios' availability.

3.2. Data analysis

To analyse the collected data, we completed a two-stage process. The purpose of the first stage was to generate a better understanding of the distinguishing features of UAE-based family-owned enterprises that set them apart from other family

firms in the world. To achieve this goal, we started with a background assessment of our sample by classifying the included organisations along the following criteria: number of years since their establishment, the industrial sector in which they operate, the number of employees they employ, and geographical markets they serve. Then, we focused on the analysis of the extent to which companies have publicly embraced their family business identity by examining the contents of their corporate website. Among other variables, we were interested in the total percentage of sample firms that openly claim to be a family-run business, mention their family status in their mission or vision statements, and publish the details of family business history on their website. Other summary statistics were also generated to uncover the predominant corporate governance characteristics of family firms in terms of average board size, gender and cultural diversity of directors, the number of family-related directors and outsiders sitting on the board, and busyness of board members.

The second stage of the data analysis process involved evaluating the existence and statistical strength of relationships between various variables retained in the study. We performed bivariate correlations between family business identity and corporate governance variables and reported only those coefficients that were significant at $p < 0.01$, $p < 0.05$, and $p < 0.10$ levels. Typical measurement procedures employed in prior corporate governance studies were used to code our variables (Azoury and Bouri, 2015; Bodolica and Spraggon, 2009a; Giovannini, 2010; Spraggon and Bodolica, 2011; Rouyer, 2016). The following variables did not require coding due to their numeric values: family business age (i.e., number of years), family business size (i.e., number of employees), family generations involved (i.e., number of generations in the family business), board size (i.e., number of directors), and management size (i.e., number of people in the top management team).

Another group of variables assessed the availability on the corporate website of mission and vision statements, code of ethics, family business status and history, and bios of the board of directors and top management representatives. This group included dichotomous variables that took the value 1 when the required information was available on the website, and 0 otherwise. A similar procedure was deployed to code the 'same family owners' variable, by assigning 1 when all the owners belonged to the same family, and 0 if this was not the case. Board busyness estimated whether any of the firm directors was sitting on the board of other companies and was captured by the average number of board seats held by directors. Finally, board and top management gender, nationality, and family relatedness were measured as binary variables coded 1 if at least one member of the board or top management was female, non-UAE national, and related to the owning family, respectively, and 0 otherwise.

4. FINDINGS

4.1. Family business characteristics

Our data indicate that only a small number of family organisations in the UAE focused on a single industrial sector, such as retail, banking, construction, manufacturing, transportation, and real estate. Over 70% of sample firms were conglomerates, suggesting that the large majority of UAE-based family enterprises prefer to diversify their business risk by operating across a variety of industries. Sampled family firms were relatively young, considering that only 28.5% were in existence for over 45 years. 18.5% of companies were between 15 and 30 years old, while 13% operated in their sector for less than 15 years. As many as 40% of enterprises were between 30 and 45 years old, implying that many family firms were launched in the post-1971 period when the UAE proclaimed independence.

With regard to organisational size, the majority of companies included in our sample were either large (with 37% employing over 2,000 people) or small (with 29% having less than 500 employees). Only 6% of firms had between 1,500 and 2,000 employees, while the remainder was equally distributed between the two categories of 500-1,000 and 1,000-1,500 employees. Over 65% of family enterprises served exclusively the UAE market, while others reached out to a larger customer base located mainly in the broader MENA region and occasionally worldwide. Interestingly, about 6% of family enterprises have clearly indicated to have made at least one merger and acquisition transaction during their lifetime.

As far as their identity is concerned, only 33% of companies openly communicated their family business status on the website. Most firms that did not disclose their family business identity on the corporate website were conglomerates that involved in partnership agreements with large nonfamily organisations. Although 72% and 66% of sample enterprises had their mission and vision statements posted on their website, respectively, only 5% of them have chosen to reveal their family business identity in either of these statements. Moreover, as many as 60% of family enterprises in our study refrained from describing the details of family business history on their corporate website.

Consistent with their young age, 30% and 45% of family companies were run by the members of the first generation and the first two generations, respectively. The remainder was distributed across different categories as follows: 5% of firms were managed by the first three generations, 10% – by the second generation, 8% – by the second and third generations, and 2% – by the representatives of the second, third and fourth generations. Interestingly, around 80% of sample firms were held entirely by the members of the same family. This finding indicates that family enterprises in the UAE are predominantly closely held, exhibiting a noticeable avoidance of non-family ownership to prevent the dilution of family control over the governance and strategy-making processes.

Our analysis of the board of directors' structure reveals that the average size of the board in UAE-based family firms was 3.7 people, ranging from as little as 1 member to a maximum of 10 members. Only 12% of sample firms had at least one female representative on the board, while none of them had a woman in the chairperson's position. Regarding the cultural diversity of the board leadership, it is worth mentioning that in firms owned by Emirati families most chairmen were UAE nationals and occasionally citizens from other MENA countries. In line with their striking preference to

preserve control in family hands, a large proportion (i.e., 83%) of members of the board of directors in analysed firms were related to the owning family.

The average size of the top management team in sample firms was 5 people, ranging from 1 to 11 members, with one outlier that reported as many as 27 managerial positions. We noticed that in many first-generation firms the founder was commonly the CEO of the company, while in second-generation enterprises this role was typically assumed by the founder's son. Nonetheless, a differentiating pattern emerged in older family organisations, as they were more prone to appoint a non-family member in the CEO position. Although the CEOs in our sample were typically male Emiratis, on many occasions, there were CEOs of other cultural origins, such as Indian, Palestinian, Iraqi, Lebanese, Pakistani and British. Overall, there was a much wider diversity in terms of gender and nationality in the top management team compared to the board of directors, which revealed a more homogenous membership.

4.2. Correlations between variables

The results of statistically significant bivariate correlations between selected family business identity and corporate governance variables are reported in Table 1. We found that older firms were more likely to: disclose their family business identity on their website ($p < 0.05$); have a larger number of both family generations involved in the business and board members related to the owning family (both at $p < 0.01$ level); and have a bigger size of both board of directors and top management team. Companies employing more people had a larger board and top management teams and the bios of their members were more likely to be posted on the corporate website. In larger size family firms, the board of directors was more likely to have women and members with several directorships in other organisations (both at $p < 0.10$ level). These findings suggest that firm age and size are important factors that contribute to the adoption of good governance practices in UAE-based family enterprises.

Table 1. Correlations between family business identity and corporate governance variables

Variables	*FB age*	*FB size*	*FB status on website*	*FB history on website*
Mission on website			0.215 (0.009)	0.177 (0.036)
Vision on website			0.144 (0.083)	
FB history on website			0.261 (0.001)	
FB status on website	0.223 (0.011)			
Family generations involved	0.371 (0.000)		0.380 (0.000)	
BoD size	0.204 (0.020)	0.209 (0.035)	0.197 (0.036)	
BoD gender		0.169 (0.097)		
BoD family related	0.233 (0.008)		0.249 (0.007)	
BoD busyness		0.184 (0.064)		
BoD & TMT bios available		0.226 (0.020)	0.232 (0.008)	0.198 (0.027)
TMT size	0.215 (0.017)	0.164 (0.099)	0.211 (0.030)	0.197 (0.046)
TMT gender			0.190 (0.050)	0.161 (0.100)
TMT nationality				0.199 (0.044)

Note: FB – Family Business; BoD – Board of Directors; TMT – Top Management Team

The availability on the corporate website of the mission, vision, organisational history, and bios of board members and top management representatives was positively associated with the public display of the family business status (at $p < 0.01$ level with the exception of the vision statement). A larger number of generations involved in the business significantly increased the likelihood of a company embracing its family business identity (0.380, $p < 0.01$). Organisations that have openly communicated their family business status on the website had larger boards and top management teams (0.197 and 0.211, respectively), more family related directors ($p < 0.01$) and more women in top management positions ($p < 0.05$). Family firms that posted their history on the corporate website, were more likely to make their mission statement and the bios of the board and management members readily available to external audiences. Additionally, the top management team in these firms was larger in size (0.197, $p < 0.05$), had more female representatives (0.161, $p < 0.10$) and exhibited higher cultural diversity (0.199, $p < 0.05$).

Our data reveal interesting results with regard to the availability of the code of ethics on the corporate website and the number of family generations involved in the business (see Table 2). While the adoption of a code of ethics represents a good governance practice, posting this document on the website is a voluntary act that is quite uncommon, especially in privately held family firms. Nonetheless, we found that older companies, which posted their mission on the website (both at $p < 0.10$ level), and had more women on their board of directors ($p < 0.05$) and in top management positions ($p < 0.01$), were significantly more inclined to make their code of ethics accessible through their website. It is worth noting that the involvement of multiple family generations in the business significantly increased the gender diversity of the top management team (0.302, $p < 0.01$) and permitted a greater participation of family representatives in board roles and managerial positions ($p < 0.01$ and $p < 0.05$, respectively).

Table 2. Correlations for 'code of ethics availability' and 'family generations involved' variables

Variables	*FB age*	*Mission on website*	*BoD gender*	*TMT gender*
Code of ethics on website	0.149 (0.083)	0.143 (0.083)	0.206 (0.025)	0.363 (0.000)
Variables		***BoD family related***	***TMT family related***	***TMT gender***
Family generations involved		0.444 (0.000)	0.260 (0.019)	0.302 (0.006)

Note: FB – Family Business; BoD – Board of Directors; TMT – Top Management Team

Table 3 below highlights the statistically significant correlations between selected corporate governance variables, specifically regarding the board of directors and top management team. As family firms with a larger board of directors had more female representation (0.220, $p < 0.05$) and fewer family members (-0.290, $p < 0.01$), it may be concluded that board size contributes to the improvement of governance practices in UAE-based family enterprises. Boards with more non-Emirati nationals were more likely to have less busy directors and more women (-0.169 and 0.204, respectively). When the family business was owned entirely by the members of the same family, the cultural diversity of the board of directors and the top management team was significantly lower (both at $p < 0.01$ level).

Table 3. Correlations between selected corporate governance (BoD and TMT-related) variables

Variables	*BoD size*	*BoD nationality*	*BoD & TMT bios available*	*TMT gender*	*TMT family related*	*TMT nationality*
Mission on website				0.193 (0.034)		
Same family owners		-0.293(0.002)				-0.295 (0.002)
BoD size			0.149 (0.100)			
BoD busyness		-0.169 (0.048)	0.365 (0.000)			
BoD nationality			-0.148 (0.099)			
BoD gender	0.220 (0.012)	0.204 (0.020)		0.220 (0.014)		
BoD family related	-0.290 (0.001)			0.186 (0.037)	0.398 (0.000)	
TMT size	0.198 (0.027)				-0.273 (0.002)	

Note: FB – Family Business; BoD – Board of Directors; TMT – Top Management Team

The availability of directors' and top managers' bios on the company website was positively correlated with the board size and directors' busyness but negatively associated with the presence of international directors. Family-run organisations with larger management teams had more non-family managers ($p < 0.01$) and boards of directors with a greater number of members ($p < 0.05$). When the top management team had higher female representation, the family business was also more likely to have more women on its board (0.220) and the mission statement was more likely to be found on the website (0.193). Finally, the family relatedness of corporate directors significantly contributed to the appointment of a larger number of women (0.186, $p < 0.05$) and family members (0.398, $p < 0.01$) in the company's top management positions.

5. DISCUSSION

In this article, we examined the relationship between family business identity and corporate governance devices in family enterprises located in the UAE. We found that UAE-based family firms are relatively young (i.e., less than 45 years old), operate simultaneously in several industries (i.e., are conglomerates), are managed by a family CEO (rather than professional CEO), focus on servicing the local and the regional market, exhibit a variety of organizational sizes (i.e., either less than 500 or over 2,000 employees), are run by the representatives of the first and second generations, have smaller boards of directors (i.e., 3.7 members on average) and a lower cultural and gender diversity in the chairperson's position, feature an insignificant female representation and a higher family-related membership on the board, are characterized by higher levels of ownership concentration in the hands of the same family, and have a lower propensity to publicly exhibit their family business identity on their corporate website.

Selected attributes of UAE family firms highlighted in this study are consistent with those located in other parts of the world. For instance, Navarro and Anson (2009) also demonstrated that family companies in Spain have smaller boards and higher family and insider representation in directorial positions. Yet, while family-owned enterprises in the UAE are predominantly conglomerates, their Italian and French counterparts tend to specialise in the manufacturing and construction sectors (Bachiller et al., 2015; Rouyer, 2016). Since prior literature pointed to a positive relationship between the founding family members' involvement in management and firm performance (Lee, 2006; Eklund et al., 2013), our finding that founders commonly assume the CEO position may signal fruitful outcomes of founder leadership in UAE-based family firms. Furthermore, the high levels of ownership concentration reported in our study can be explained by slower advancements in the development of institutional and regulatory frameworks in the UAE, similar to the empirical evidence provided for Latin American countries (Galve-Gorriz and Hernandez-Trasobares, 2015).

Prior studies in both developed nations and emerging markets, such as UK (Wilson et al., 2013) and India (Bhatt and Bhattacharya, 2015), suggested that larger boards represent a mechanism of good governance in family firms, allowing them to benefit from a more diverse representation in terms of experience, knowledge and points of view. Our results are aligned with the studies, although they seem to contradict Salloum et al. (2013) who highlighted the governance inefficiencies associated with board size in Lebanese family companies. Although the UAE and Lebanon share some cultural and societal traditions that are endemic to the MENA world, the Lebanese economy espoused a different trajectory being affected by many internal and regional political shocks and instabilities. Due to the long-standing relationships with the British government, the UAE may find more affinities with the UK and follow its example when developing its own corporate governance infrastructure.

Consistent with Bhatt and Bhattacharya (2015), we did not find that outside directors exert an important monitoring function in family-owned enterprises in the UAE. This outcome is also aligned with both Leung et al. (2014) and Giovannini (2010), who uncovered an insignificant association between board independence and corporate performance for a sample of 487 non-financial firms in Hong Kong and 56 initial public offerings in Italy, respectively.

Although Salloum et al. (2013) pointed in the opposite direction, they also reported that the addition of outside board representatives *per se* did not eliminate the performance weaknesses of Lebanese family firms. Therefore, we argue that the consequences of the appointment of outsiders to the board of directors should be critically reevaluated in the specific context of family firms in emerging markets. Considering the complementarity and substitution effects among alternative governance devices (Bodolica and Spraggon, 2009b; 2010), it is probable that family ownership effectively substitutes the need for outsiders' monitoring in the context of UAE-based family-run companies.

In light of the favourable performance implications of board busyness in family organisations (Rouyer, 2016), our research indicates that larger UAE-based firms and Emirati nationals are more likely to possess broader networks of relationships that contribute to the formation of boards with multiple directorial positions. Furthermore, our finding that the family-related membership on the board increases with the number of generations involved in the business is consistent with Bammens et al. (2008), implying that the family stock of knowledge and experience improves over time and from one generation to the next. As Bachiller et al. (2015) suggested, the family participation on the board of directors may be an indicator of good governance due to its significantly positive association with both the accounting and social performance of family firms.

With regard to the family business identity, we uncovered that company age, board and top management size, a number of family generations involved, family relatedness of directors, and gender and cultural diversity of the top management team increase the familial identification in UAE family firms. Moreover, it seems that the disclosure of the family business status (or history) on the corporate website produce important information transparency benefits in terms of the public availability of the mission and vision statements and board of directors' and senior managers' bios. To the best of our knowledge, none of the previous studies used the same proxy of familial identification and included the same variables in their analyses. Yet, some conceptual tangencies can be still drawn between our research and both Schmidts and Shepherd (2015) and Cannella et al. (2015). The former authors pointed to the formation of family business identity as an outcome of firm's exposure to public and community involvement, which is consistent with our contention regarding transparency. In line with our arguments on the involvement of family generations and directors' family relatedness, the latter scholars suggested that the familial identification leads to the creation of interlocks with similar firms and the selection of board members with experience in family firms.

Contrary to Laguir and Elbaz (2014) who focused on social responsibility practices of French family businesses, we did not find any significant association between family involvement and the availability of ethics' code on the company website. However, our results indicate that gender diversity of both the board of directors and top management team is a major driver of the public disclosure of codes of ethics in UAE family firms. None of the prior family business studies examined this research question, while the ethics and governance literature is inconclusive in this regard. On the one hand, Rodriguez-Dominguez et al. (2009) demonstrated that female board representatives do not significantly influence the implementation of corporate codes of ethics in Spain, Italy and UK. On the other hand, using a large sample of 760 public organisations across 12 countries from both Anglo-Saxon and continental corporate governance systems, Garcia-Sanchez et al. (2015) reported that female directors contribute to the adoption of the most developed ethics codes.

6. CONCLUSION

We have shown above that our findings are not only aligned with a number of studies in the field but also extend the current literature on governance arrangements in family firms. Among the key contributions of our study, it is worth mentioning the simultaneous examination of family business identity and corporate governance attributes, and the comprehensive nature of variables used to uncover significant patterns of family business behaviour. Given the dearth of empirical evidence on family firm governance in emerging markets, we contribute to the development of contextual knowledge base on corporate governance mechanisms in family-owned enterprises operating in the UAE and the broader GCC region (Eulaiwi et al., 2016). Apart from uncovering the distinguishing characteristics of UAE-based family organisations, our analyses highlight the importance of estimating the governance-related drivers and consequences of familial identification in the context of family firms. In light of the continually evolving corporate governance frameworks in emerging markets, the findings of our study can assist family business practitioners in the identification and adoption of relevant governance attributes that may lead to superior performance outcomes.

In spite of its contributions, our research has a number of limitations that should be acknowledged and could be tackled in future scholarly endeavours in the field. During the data collection process, we relied exclusively on secondary sources, which often did not include all the required information resulting in the elimination of family firms from our final sample. It would have been beneficial to complement our data with in-depth interviews conducted with selected board members and top managers of UAE-based family enterprises (Bodolica and Spraggon, 2015). Although we have tried to capture the familial identification of family members in our sample firms via the public disclosure of the family business status on the corporate website, other more accurate proxies could have been used to achieve the same purpose (Cannella et al., 2015). Finally, our study provides a comprehensive overview of the relationship between corporate governance practices and family business identity without an a-priori development of theoretical arguments in the form of several testable hypotheses.

This discussion opens up multiple avenues for future inquiry in the field. The specificities of national regulatory systems determine the way family firms operate and develop over time, while differences in corporate governance regimes among countries justify a heightened interest in family

business governance in emerging markets (Bodolica et al., 2015; Liu et al., 2012). The results of our bivariate correlations are indicative of some preliminary patterns of behaviour that may be tested in multivariate regression analyses in the next generation of governance research on family enterprises in the UAE. More empirical work has to be conducted to enhance our understanding of differences in corporate governance arrangements in organisations with low and high familial identification. Additional evidence is needed with regard to structural attributes of the board of directors and top management team that induce family firm survival, longevity and financial superiority over their non-family counterparts (Lee, 2006; Wilson et al., 2013; Bhatt and Bhattacharya, 2015). Studies employing larger samples of data and drawing on a combination of quantitative and qualitative techniques are particularly welcome to generate context-dependent explanations that could be generalised for the entire population of family enterprises located in the UAE.

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