

**Arab American University**  
**Faculty of Graduate Studies**  
**Department of Administrative and Financial Sciences**  
**Ph.D. Program in Strategic Management**



**“Family Dynamics and Business Performance in Palestinian Industrial  
Family Businesses: The Moderating Role of Corporate Governance”**

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Management**

**Palestine, September /2025**

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Arab American University  
Faculty of Graduate Studies  
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## Dissertation Approval

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Palestine, September/2025

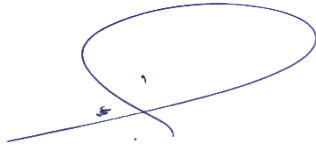
## **Declaration**

I declare that, except where explicit reference is made to the contribution of others, this dissertation is substantially my own work and has not been submitted for any other degree at the Arab American University or any other institution.

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A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line that crosses under the loop.

Date of Submitting the Final Version of the Dissertation: 12.10.2025

## **Dedication**

To my reverend father and mother

To my nation, Palestine, and its beloved capital, Jerusalem, which brings me great joy.

To the esteemed martyrs and prisoners, exemplars of sacrifice.

Esteemed brothers and sisters.

To my cherished wife, whose unwavering hope and confidence illuminated my journey.

To my esteemed children: Hanin, Nour, Amro, Hammam, Rayan

To the entire family, which embodies affection and magnanimity.

To my valued friends.

I humbly dedicate this dissertation.

Bassam Abdel-Rahim Isma'el Hamid

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Many thanks,

Bassam Abdel-Rahim Isma'el Hamid

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## **Abstract**

**Background:** Family businesses dominate the Palestinian economy, comprising over 70% of West Bank enterprises and significantly contributing to GDP and employment. Operating in a volatile socio-political environment with restricted mobility, legal uncertainties, and economic disruptions, these firms face challenges in sustaining performance. This study investigates how family dynamic family control, identification with the firm, social ties, emotional attachment, and dynastic succession, impact business performance, measured by financial and non-financial indicators.

**Methodology:** Employing a quantitative cross-sectional design, data were collected from 382 West Bank family business leaders via structured questionnaires targeting industrial firms. The questionnaires assessed family dynamics, corporate governance, and business performance. PLS-SEM analyzed relationships, with reliability and validity ensured through Cronbach's alpha and component analysis.

**Result:** Results confirm that family dynamics significantly enhance business performance. Corporate governance positively impacts performance and moderates the family dynamics-performance relationship, strengthening outcomes with effective mechanisms. Family dynamics also improves governance quality.

**Practical Implications:** Palestinian family firms should formalize governance through advisory boards and succession plans to leverage family strengths and reduce conflicts. Policymakers should promote culturally aligned governance training and hybrid models. Practitioners must balance emotional commitment with professional management to ensure sustainability and generational continuity.

**Keywords:** Family Dynamics, Corporate Governance, Business Performance, Palestinian Family Businesses.

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## List of Definitions of Abbreviations

No.	Abbreviations	Title
1.	GDP	Gross Domestic Product
2.	MENA	Middle East and North Africa
3.	OECD	Organization for Economic Co-operation Development
4.	MSMEs	Micro, Small, and Medium Enterprises
5.	PCBS	Palestinian Central Bureau of Statistics
6.	UNDP	United Nations Development Programme
7.	RO	Research Objectives
8.	RQ	Research Questions
9.	SEW	Socioemotional Wealth
10.	SMEs	Small and Medium Enterprises
11.	ROI	Return on Investment
12.	IFC	International Finance Corporation
13.	VRIN	Valuable, Rare, Inimitable, and Non-Substitutable
14.	CEO	Chief Executive Officer
15.	DUI	Doing-Using-Interacting
16.	STI	Technologically-Based Innovation
17.	EPSI	Extended Performance Satisfaction Index
18.	ISIC	International Standard Industrial Classification
19.	VIF	Variance Inflation Factor
20.	FD	Family Dynamics
21.	BP	Business Performance
22.	CG	Corporate Governance
23.	FCI	Family Control and Influence
24.	IFF	Identification of Family Members with the Firm
25.	BST	Binding Social Ties
26.	EAF	Emotional Attachment of Family Members
27.	RDS	Renewal of Family Bonds Through Dynastic Succession
28.	BRD	Board
29.	ATP	Anti-takeover Provisions
30.	CAO	Compensation and Ownership

31.	SEM	Structural Equation Modeling
32.	PLS-SEM	Partial Least Squares Structural Equation Modeling
33.	K-S	Kolmogorov-Smirnov
34.	S-W	Shapiro-Wilk
35.	AVE	Average Variance Extracted
36.	HTMT	Heterotrait-Monotrait
37.	VIF	Variance Inflation Factor
38.	CR	Composite Reliability
39.	$R^2$	Coefficient of Determination
40.	$Q^2$	Predictive Relevance
41.	$f^2$	Effect Size
42.	H	Hypothesis
43.	Q	Question
44.	Std.	Standard Deviation
45.	RMSE	Root Mean Square Error
46.	MAE	Mean Absolute Error
47.	#	Number
48.	%	Percentage
49.	$\alpha$	Cronbach's alpha

# **Chapter One: Introduction**

## **1.0 Background and Introduction**

Family businesses are recognized globally as the predominant organizational form, representing a significant portion of the global business landscape. Research in strategic management has confirmed their central role in economic development, as they contribute up to 70% of the global Gross Domestic Product (GDP) and generate 60–80% of employment in many countries (IFC, 2011; Machek, 2016; Nigri & Del Baldo, 2018). This remarkable contribution underscores their economic, social, and cultural importance.

The study of family enterprises has undergone many transformations over the years. The first interest stemmed from the seminal works of Weintraub (1948) and Brooks (1954), who laid the foundation for understanding social and cultural dynamics within family businesses. In recent times, the relationship between the family system and the business system has been analyzed with much concern, especially in succession and generational transitions (Ferrari, 2023; Nave et al., 2022). These transitions often represent the most critical points in the life cycle of family enterprises as they require the alignment of emotional and relational considerations with strategic and operational requirements.

In strategic management literature, there has been a growing acknowledgment of the imperative to adapt to ever-changing external environments (Kokol, 2023). A modern enterprise acts as an economic organization and a means for sustainable development (Latysheva et al., 2021). This involves concerns about economic performance while also considering social justice and environmental accountability, being highly significant aspects in a volatile and resource-scarce context (Bhadra et al.,

2024). Family enterprises are idiosyncratic in this respect: their long-term nature is fully integrated into the community with very solid stakeholder relationships.

From a regional perspective, family businesses in the Middle East and North Africa (MENA) countries comprise a significant portion of economic activity; however, they face some major institutional and governance constraints. This includes inadequate regulatory frameworks, nascent financial markets, and limited availability of business schools and innovation assistance (OECD, 2013). Succession planning and governance remain particularly underdeveloped across Arab economies, creating barriers to growth, diversification, and resilience.

At the national level, in the context of the Palestinian territories, micro, small, and medium-sized enterprises (MSMEs) dominate the economic structure, making up more than 98% of all registered businesses and contributing over 60% to national GDP (Otman, 2021; PCBS, 2023). Among these, family businesses constitute more than 70% of enterprises in the West Bank, playing a pivotal role in job creation and sustaining socio-economic stability (Abuznaid, 2014). However, the economic landscape has been severely disrupted by the ongoing Israeli aggression, particularly the devastating assault on Gaza Strip in the fourth quarter of 2023, which led to a 33% contraction in national GDP and an unemployment rate reaching 74% in Gaza and 29% in the West Bank (PCBS, 2023). These businesses are often interwoven with extended family networks, making them both economically significant and culturally rooted.

However, the Palestinian family business landscape is shaped by a highly volatile socio-political environment, which includes restricted mobility, unpredictable legal frameworks, and chronic exposure to external shocks (Khoury et al., 2024). The October 2023 conflict exacerbated these challenges, leading to a contraction in GDP due to job losses, disrupted supply chains, and increased security risks (Gatti et al., 2023).

Despite their resilience, many family-owned firms lack the strategic capabilities and governance structures necessary for sustainable performance under such conditions (Jaradat, 2024).

One of the unique characteristics of family enterprises is the deep interconnection between family members and the business itself. This dual system of relationships often leads to both synergies and conflicts (Okafor et al., 2023). Generational transitions when leadership and ownership are passed on highlight the need for clearly defined governance mechanisms. Such transitions are successful when they ensure both business continuity and family unity while transferring control in a way that safeguards the founder's vision (Calabrò et al., 2021; Miller & Le Breton-Miller, 2006).

Leadership succession is not merely a managerial task; it is a deep cultural and emotional process, especially in traditional societies (Hasan, 2024). Introducing younger generations with modern approaches can disrupt established norms, calling for strategic foresight and structured succession planning (Naciti et al., 2022). Without these measures, family firms risk instability, particularly when leadership is passed based on kinship rather than competence. This creates a potential for entitlement culture, fragmentation, and a misalignment between personal ambitions and corporate objectives.

Effective governance is thus vital. It serves to balance familial influence with professional management, especially when firms grow or involve multiple generations. According to Abdelaziz (2021), implementing governance frameworks such as advisory boards, family councils, and formalized succession plans is essential to mitigate conflicts and ensure continuity. The application of corporate governance in family

businesses supports accountability, transparency, and long-term performance (Sadiq & Gebba, 2022).

A critical question emerges: How do family dynamics influence the performance of family businesses, and to what extent can governance practices moderate this impact? This study aims to examine the relationship between family dynamics and the performance of family businesses with the moderate effects of governance practices in the context of Palestinian industrial family firms, and explore how family structure, generational leadership, and governance mechanisms interact to shape strategic outcomes. By focusing on this unique socio-political and economic setting, the research contributes to both local policy formulation and the global academic discourse on family business sustainability.

## **1.1 Study Significance and Justification**

Family businesses have long demonstrated resilience and adaptability, earning recognition for their strategic resource management, leveraging of human and social capital, and long-term orientation, often referred to as “patient capital” (Calabrò et al., 2021). These attributes provide family enterprises with a unique capacity to respond to dynamic environments, collaborate through alliances, and sustain competitive advantages. Yet, while their contributions to national and global economies are undeniable, these businesses also face distinct internal challenges, particularly those rooted in family dynamics, leadership transitions, and governance gaps (Zapata-Cantu et al., 2023).

This study aims, beyond just acknowledging family businesses, at the critical analysis of the processes underpinning the strategic success of Palestinian industrial family enterprises. The Palestinian setting manifested an ample rationale for our inquiry.

These companies operate in an environment marked by political instability, restricted market access, and wavering institutional support, which impair strategic management and long-term planning (Allard et al., 2012). Family businesses dominate the private sector in Palestine, accounting for over 70% of all firms and contributing more than 60% to the GDP of country (PCBS, 2023). From a need for an understanding of how these establishments might prosper in the face of challenges arises a domestic and international concern.

In recent years, Palestinian family enterprises have experienced ever-increasing problems in the changes of generation. Reports show divisions, conflicts, and occasional firm closures, especially when no formal succession or governance systems were instituted. These problems do not confine themselves to Palestine; similar tendencies can be found in family enterprises all over the world (Hlasny et al., 2018; Jaradat, 2024). Since this study is experimenting in these fields, metaphoric lessons can be drawn for policymakers, practitioners, and scholars engaged in family business sustainability in developing economies and fragile nations.

This study contributes further by analyzing a relatively unexplored interface between family dynamics and corporate governance. While corporate governance has been studied extensively in publicly listed companies (Handini, 2023; Matei & Drumasu, 2015; Mismiwati et al., 2025). Family-owned companies, especially in emerging economies, hardly appear on the radar of scholarship in this regard. This study aims to bridge that gap by examining how governance mechanisms can moderate the influence of family dynamics on business performance. In doing so, it responds to calls for greater inclusivity in corporate governance research and practice, particularly as many of today's largest corporations originated as family businesses.

Beyond contributing to academic knowledge, the practical value of this research is substantial. It offers evidence-based recommendations to enhance the performance and sustainability of family firms in Palestine and similar environments. In particular, the study supports Sustainable Development Goal 9 (Industry, Innovation, and Infrastructure), especially target 9.2, which advocates for inclusive and sustainable industrialization and increasing the industrial sector's share of GDP and employment, and targets 9.3 and 9.4, which emphasize access to financial services for small industries and upgrading for sustainability, respectively (UNDP, 2023). By promoting more resilient governance and succession practices, the study aligns with broader development goals in fragile and conflict-affected regions.

Further family projects are treated as economic entities and also transmit values such as trust, communication, quality, creativity, and social responsibility (Aragón-Amonarriz et al., 2019). When these values are ingrained into the culture of the firm and maintained by capable management, they can greatly enhance social cohesion and economic productivity. Given that social capital and intergenerational cooperation are the lifeblood of the Palestinian context, the strengthening of such enterprises is beyond mere earnings. Thus, they increase national economic resilience, sustain social institutions, and allow a generation of entrepreneurs to take center stage with foresight and integrity.

## **1.2 Problem Statement**

Family businesses are considered the backbone of the Palestinian economy, representing approximately 95% of all businesses, thus making considerable contributions to the national GDP and employment (PCBS, 2023). Despite their value, these firms face much higher rates of failure and diminished generational continuity

(Alaydi et al., 2021). The instability is further bolstered by the unstable socio-political landscape in Palestine, which carries economic uncertainty, limited access to resources, poor enforcement of the law, and periodic violence (Rutten, 2024). External forces, in turn, intensify internal problems, many of which manifest in complex, occasionally dysfunctional family relationships that may involve a lack of communication, escalation in commitment, and blurred lines between family and business duties (Krueger et al., 2021).

The merging of family and business systems creates conflict within the organization, especially during times of generational change, since succession planning and transfer of leadership are usually informally handled or absent entirely (Chalhoub, 2025). These problems typically lead to a lack of strategy alignment, decreased productivity, and a dull capacity for decision-making. While many family businesses are based on strong values such as trust, loyalty, and the community (Sorenson & Milbrandt, 2023), without formal governance structures, these connections can present challenges such as nepotism, feelings of entitlement, and resistance to change (Kuforiji, 2024).

In theory, agency theory by Meckling and Jensen (1976), resource-based theory by Barney (1991), and stakeholder theory by Freeman (2010) all suggest that governance mechanisms reduce agency costs, strengthen internal resources, and balance stakeholder expectations. Prior studies suggest that governance mechanisms, if aptly designed, can resolve conflicts, foster strategic planning, and improve the financial performance of family enterprises (Abdelaziz, 2021; Carlock, 2010; Mustakallio, 2002).

Nonetheless, a significant gap persists in understanding how governance functions in the unique Palestinian industrial context, where instability and informality prevail. Most of the literature studies family firm governance in developed economies that enjoy an advanced institutional infrastructure, regulatory framework, and business

ecosystem (Umans et al., 2020; Van Helvert-Beugels et al., 2019). Conversely, several Palestinian family firms practice informal governance methods that almost always oppose the idea of formalization of roles and responsibilities. Perhaps consequently, they forgo numerous opportunities to strengthen resilience, facilitate generational transitions, and align family interests with business interests.

This research gap is problematic for several reasons:

- It limits the applicability of global family business theories to fragile and developing economies.
- It deprives Palestinian policymakers and business leaders of evidence-based strategies to strengthen a critical sector.
- It prevents the development of locally grounded models that reflect both cultural realities and economic constraints.

Thus, this study addresses the urgent need to explore the relationship between family dynamics and business performance, with a specific focus on how corporate governance moderates this relationship in Palestinian industrial family businesses. It aims to clarify whether certain family dynamics, such as healthy communication, emotional attachment, or excessive familial involvement, positively or negatively affect firm performance. More importantly, it investigates whether formal governance structures can mitigate adverse dynamics and promote sustainable business outcomes.

By empirically addressing these questions, the study contributes to both theory and practice. It enhances academic understanding of governance in family firms operating under institutional fragility and provides actionable insights for business owners, advisors, and policymakers striving to support long-term performance and succession in Palestinian enterprises.

### **1.3 Research Aim, Objective, and Questions**

The primary aim of this study is to examine the relationship between family dynamics and business performance in Palestinian industrial family businesses, with particular attention to the moderating role of corporate governance mechanisms. The research seeks to contribute both theoretically and practically by addressing the complexities of governance and familial relationships in a politically and economically challenging context.

#### **1.3.1 Research Objectives (RO)**

To achieve this overarching aim, the study sets out the following specific research objectives:

- RO1:** To examine how family dynamics influence the performance of family businesses in the Palestinian industrial sector.
- RO2:** To examine how family dynamics influence corporate governance in the Palestinian industrial sector.
- RO3:** To examine how corporate governance influences the performance of family businesses in the Palestinian industrial sector.
- RO4:** To assess the moderating role of corporate governance in the relationship between family dynamics and business performance.
- RO5:** To offer a context-specific contribution to the academic and practical understanding of family business performance and sustainability within the Palestinian industrial sector.

### **1.3.2 Research Questions (RQ)**

The research will address the following guiding questions, derived directly from the objectives:

- RQ1:** How do family dynamics affect business performance in Palestinian industrial family businesses?
- RQ2:** How do family dynamics affect corporate governance in Palestinian industrial family businesses?
- RQ3:** How does corporate governance affect business performance in Palestinian industrial family businesses?
- RQ4:** How does corporate governance moderate the relationship between family dynamics and business performance in Palestinian industrial family businesses?
- RQ5:** What context-specific insights can be drawn to enhance academic understanding and inform practical strategies for improving the performance and sustainability of Palestinian industrial family businesses?

### **1.4 Conceptual Framework**

The conceptual framework of this study is designed to examine the complex relationships between family dynamics and business performance in Palestinian industrial family businesses, with a specific focus on the moderating role of corporate governance. The framework integrates key constructs such as Family Control and Influence, Identification of Family Members with the Firm, Binding Social Ties, Emotional Attachment of Family Members, and Renewal of Family Bonds Through Dynastic Succession, as independent variables representing core dimensions of family dynamics. Business performance is assessed using business growth, profitability or financial profitability, image and customer loyalty, and product service innovativeness

indicators. Corporate governance mechanisms, Board, Anti-takeover provisions, and Compensation and ownership are positioned as moderating variables that may strengthen or weaken the influence of family dynamics on firm performance.

Table 1.1 presents a summary of the conceptual and operational definitions of the research variables, along with the sources and measurement scales used for each construct.

Table (1.1): Conceptual and Operational Definitions

Construct	Type of Construct	Conceptualization	Operationalization	Source/ Author	Scale
<b>Family Dynamics</b>	Independent Variable	Refers to the behavioral, emotional, and relational characteristics of family involvement that shape business decision-making and governance.	27 indicators are categorized into five dimensions: (a) Family Control and Influence, (b) Identification of Family Members with the Firm, (c) Binding Social Ties, (d) Emotional Attachment of Family Members, (e) Renewal of Family Bonds Through Dynastic Succession.	Lee. et al. (1996), O'Reilly. et al. (1986), Allen. et al. (1990), Carlock. et al. (2001), Klein et al. (2005), Miller et al. (2005), Miller et al. (2009), Cruz et al. (2010), Eddleston. et al. (2007), Zellweger. et al. (2011)	Five-point Likert scale
<b>Corporate Governance</b>	Moderator Variable	This refers to the structures and processes for decision-making, accountability, and control within the business, especially concerning ownership and board governance.	38 indicators across three dimensions: (a) Board, (b) Anti-takeover provisions, (c) Compensation and Ownership	Aggarwal. et al. (2011)	Five-point Likert scale
<b>Business Performance</b>	Dependent Variable	Refers to the firm's effectiveness in achieving financial and strategic goals, with a focus on profitability and sales outcomes.	12 indicators capturing perceived financial performance (e.g., business growth, profitability or financial profitability, image and customer loyalty, and product service innovativeness indicators)	Garg. et al. (2004)	Five-point Likert scale

### 1.4.1 Conceptual Definitions

**Business performance** is the capability and productivity of an organization to accomplish its financial and strategic objectives. Family businesses base their definition of success not only on financial dimensions (for instance, return on sales and profitability) but also on non-financial dimensions (such as family satisfaction and continuity) (Basco, 2013; Zajkowski et al., 2022). This study measures success mainly through business growth, profitability, brand image, customer loyalty, and product and service innovation.

**Corporate governance** in a family business refers to the structures, rules, and procedures that govern and steer the organization toward accountability and transparency, as well as strategic concentration. These would typically include formal organizational structures, such as boards of directors, advisory boards, and family councils, as well as facts and traits about informal norms and practices (Jerab, 2023; Tricker, 2015). This study investigates corporate governance as a direct effect as well as the moderating effect influencing the family dynamic-performance relationship.

**Family dynamics** are the patterns of interaction, relationships, roles, and emotional bonding among family members who are part of the firm. Family dynamics have a powerful influence on decision-making, conflict resolution, succession leadership, and the strategic direction of the firm (Ferrari, 2019; Hasan, 2024). Family dynamics in this research are conceptualized by dimensions including communication quality, emotional bonding, escalation of commitment, and role clarity.

### 1.4.2 Operational Definitions

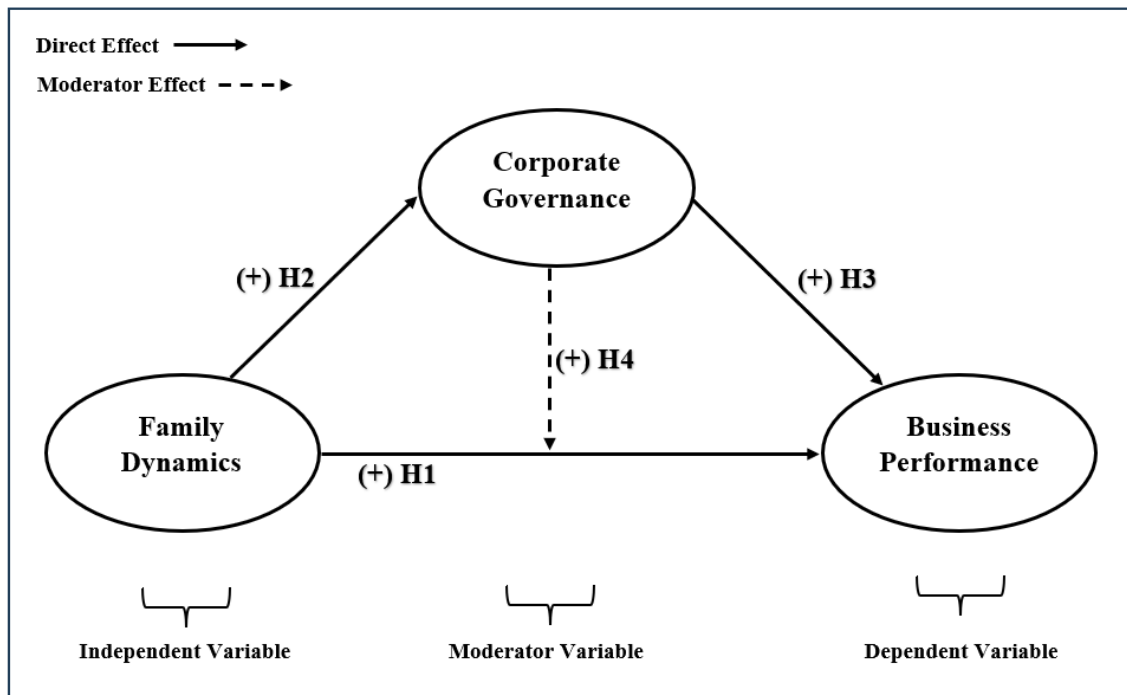
**Dependent Variable - Business Performance** is assessed through 12 perception-based items that evaluate both financial and strategic outcomes. These items

are adapted from the work of Garg et al. (2004) and are designed to measure performance from a managerial perspective.

**Moderator Variable - Corporate Governance** consists of three key dimensions. The first, Board Structure and Function, includes 24 items adapted from Zagorchev and Gao (2015). The second dimension, Anti-Takeover Provisions, consists of six items measuring the firm's protective mechanisms against external threats. The third dimension, Compensation, and Ownership, includes eight items that reflect family ownership patterns, executive compensation strategies, and the use of financial incentives.

**Independent Variable - Family Dynamics** is operationalized through five dimensions that reflect the socioemotional wealth (SEW) approach. The first dimension, Family Control and Influence, consists of six items adapted from Lee and Rogoff (1996) and Klein et al. (2005). The second dimension, the Identification of Family Members with the Firm, includes six items derived from the works of O'Reilly and Chatman (1986), Allen and Meyer (1990), Carlock and Ward (2001), and Klein et al. (2005). The third dimension, Binding Social Ties, is measured using five items based on studies by Miller and Le Breton-Miller (2005), Miller et al. (2009), and Cruz et al. (2010). The fourth dimension, Emotional Attachment, also includes six items and assesses affective commitment and emotional investment, drawing from O'Reilly and Chatman (1986), Allen and Meyer (1990), and Eddleston and Kellermanns (2007). Finally, the Renewal of Family Bonds Through Dynastic Succession consists of four items derived from Lee and Rogoff (1996) and Zellweger et al. (2012).

### 1.4.3 Conceptual Model



### 1.5 Study Hypotheses

Based on the conceptual model, the following are the study hypotheses:

- H1:** Family dynamics have a significant positive effect on the performance of family businesses in the Palestinian industrial sector.
- H2:** Family dynamics have a significant positive effect on the implementation and quality of corporate governance practices in Palestinian industrial family businesses.
- H3:** Corporate governance has a significant positive effect on the performance of family businesses in the Palestinian industrial sector.
- H4:** Corporate governance moderates the relationship between family dynamics and business performance, such that the relationship is stronger when effective governance mechanisms are in place.

### 1.6 Study Limitations

While this study aims to provide valuable insights into the relationship between family dynamics, corporate governance, and business performance within Palestinian

industrial family businesses, it is important to acknowledge several limitations that may affect the scope, generalizability, and interpretation of the findings.

**First**, the study is geographically limited to the Palestinian territories, specifically focusing on industrial family businesses operating in the West Bank. Therefore, the results may not be generalizable to family firms in other sectors (e.g., services or agriculture) or in different sociopolitical contexts. The unique economic and political conditions in Palestine, such as occupation-related restrictions, limited mobility, and unstable regulatory environments, may lead to context-specific outcomes that differ from those in more stable economies.

**Second**, the study relies on self-reported data collected through structured questionnaires, which may introduce response bias. Family business respondents may either overstate or understate aspects of business performance, governance quality, or internal family dynamics due to social desirability or confidentiality concerns. Although Likert-scale perception-based measures are validated and commonly used in family business research, the subjective nature of such assessments may not fully reflect actual financial or governance practices.

**Third**, the measurement of business performance is based on perceived Return on Sales and other subjective indicators rather than audited financial records. While this approach is appropriate for privately held firms that do not disclose financials, it may limit the precision of performance evaluations and introduce variability based on individual perceptions.

**Fourth**, the study adopts a cross-sectional research design, which captures relationships at a single point in time. As such, it does not allow for the assessment of causal effects or the evolution of family dynamics and governance practices over time.

Longitudinal studies would be needed to capture changes in family influence, generational transitions, and governance structures.

## **1.7 Structural Outline**

**Chapter One** – Introduction: gives the background of the study. The paper commences with a briefing of the research background, noting the importance of family firms in Palestine as well as the challenges they encounter. The chapter summarizes the study problem and suggests the aims, objectives, and questions for the study. The paper defines the conceptual and operational definitions of the major variables, formulates hypotheses, and considers the study's relevance and drawbacks. The chapter ends with a presentation of the thesis outline.

**Chapter Two** – Literature Review and Hypothesis Development: sets the theoretical and empirical foundation for the research. The chapter starts with an exposition on the nature and significance of family firms in general as well as specifically in Palestine. The chapter subsequently delineates the theory framework of the study, viz. agency theory, the resource-based view, and stakeholder theory. It critically reviews existing studies on family relations, corporate governance, and organizational performance, pinpointing significant literature gaps. The chapter finishes by summarizing the conceptual framework that guides the research. The chapter positions itself for the generation of hypotheses by connecting theoretical concepts to study variables.

**Chapter Three** – Methodology: describes the research design and method of approach. The text details the conceptual framework on which the research is based, the research design selected, and sampling and data collection methods. It describes the construction of the questionnaire, which includes the scales used for measuring and the sources used to construct it. The chapter addresses validity and reliability procedures,

ethics, and statistical methods like regression analysis and moderation analysis that will be employed to test the hypotheses.

**Chapter Four** – Results: delineates the empirical findings of the investigation. The report commences with an analysis of the response rate and a demographic characterization of the participants. Descriptive statistics are presented for each construct, along with evaluations of reliability and validity, including Cronbach’s alpha and component analysis. The chapter subsequently delineates the outcomes of hypothesis testing through regression and moderation analysis, culminating in a summary of the principal findings.

**Chapter Five** – Discussion, Conclusion, and Recommendations: compares the findings to the literature and research objectives. The chapter provides the implications of the findings for theory and practice, examining the impact of business performance on corporate governance and family dynamics. It reassesses study limitations and gives situation-specific recommendations to researchers, politicians, and entrepreneurs. The chapter ends with recommendations for future research and a final reflection on the study's contributions.

## **Chapter Two: Literature Review**

### **2.0 Introduction**

This chapter discusses theoretical and empirical works on the interplay between family dynamics, corporate governance, and business performance. The analysis starts with an investigation of the Palestinian industrial sector, thus situating the value of family enterprises therein. The chapter then delineates some theoretical frameworks and reviews literature that discusses the advantages and drawbacks of family involvement, where institutional weakness and political turmoil characterize the foundries, as in the case of Palestine. The chapter elaborates on the hypotheses of this study by identifying research gaps relating to the direct effect of family dynamics on performance and corporate governance as a moderator in the studied family enterprises of the industrial sector in Palestine.

### **2.1 Conceptual Foundation and Literature Review**

#### **2.1.1 Palestinian Industrial Family Businesses**

Family businesses are considered essential contributors to economic development in both developed and emerging societies. In Palestine, they take on somewhat greater importance because of the national economic structure, the familial social structure, and certain constraints imposed by political instability, which engenders a set of conditions imposed by occupying powers. Palestinian Central Bureau of Statistics (PCBS, 2024) states that family businesses constitute the majority, around 95%, of all registered enterprises, with more than 70% considered as small or medium enterprises (SMEs). In this respect, industrial family enterprises are highly strategic because of supply around 20% of the national GDP, providing national employment, and nurture indigenous manufacturing capacities.

Palestinian industrial business enterprises operate in an environment heavily shaped by sociopolitical constraints that limit access to raw materials and markets, curtail mobility, and prescribe an ambiguous legal and regulatory framework (Jaradat, 2024). Such companies are usually inherited over generations; whereby economic activities are put together with entrenched cultural and family traditions. This amalgamation of enterprises as financial entities and enterprises as family organizations makes these enterprises very complex in terms of governance, leadership succession, and strategic planning (Dekom et al., 2024).

While huge organizations are governed through formal governance mechanisms, a Palestinian family business frequently executes decisions based on informal dictums, consisting of interpersonal trust and kinship systems (Salameh, 2017). Informal mechanisms may offer adaptation and resilience during the latter phases of institutional voids; yet, they may bring in hazards during those transitory generational eras or periods of conflict (Khoury et al., 2024). Lack of clarity of succession or even clear role designation feeds into conflict, goal divergence, and operational inefficiencies (Chalhoub, 2025).

Adding to the general instability of the time are conditions of war and obstructionism in Palestine, further aggravated by those aforesaid factors. The events of October 2023 brought about a contraction of 33% in the GDP, thereby affecting the Industrial Sector disproportionately due to damages to infrastructure and disruptions in the supply chain (Gatti et al., 2023; PCBS, 2024). Family businesses, particularly those in industrial activities, face greater risks as they rely on depleted stocks, distressed logistics systems, and constrained capital mobility.

Despite these difficulties, most Palestinian family businesses have been remarkably resilient, thanks to their embeddedness in local communities and dependence

on social capital. The significance of social and emotional ties, known as socioemotional wealth (SEW), is key in maintaining these businesses (Brigham & Payne, 2019). SEW is the non-financial elements of the business that are cherished by family members, including familial control, identity, and continuity (Babet, 2020). These values encourage trust, long-term orientation, and intergenerational solidarity, which are most important during periods of external challenge and institutional insecurity.

Yet, the same socioemotional determinants can impede improvement unless guided by effective management. For example, excessive emotionalism may bring about the appointment of incompetent family members to strategic positions, hostility to external guidance, or the refusal to implement innovation, all of which tend to lower competitiveness (Hasan, 2024). Such characteristics are most evident in industrial enterprises, where the complexity of production and capital investment requires more professional management techniques.

The literature foresees that the prosperity of Palestinian industrial family businesses is largely driven by the extent to which they manage to harmonize tradition with modernity. Those businesses that embrace formal corporate governance arrangements, including advisory boards, family constitutions, and succession plans, are most likely to gain strategic alignment as well as organizational continuity (Abdelaziz, 2021; Umans et al., 2020). Here, governance is not only a means of accountability but also a means of conflict resolution, succession planning, and bridging gaps between generations.

Moreover, Palestinian family businesses tend to use internal finance or informal credit sources, which restricts their growth potential and capacity to absorb shocks. Restricted access to institutional financial services increases reliance on family networks for resource mobilization (Chumba, 2023). This necessitates the development of

governance mechanisms facilitating transparency, credibility, and access to outside resources.

The gender roles within these organizations are distinctive. The Palestinian women participate actively in family cohesion and informal economic activities; however, in most manufacturing sectors, they are often barred or excluded from formal leadership and strategic decision-making roles (Aghabekian, 2019). Modern governance frameworks that promote equitable participation can unleash the hidden potential of family businesses.

Digitalization and globalization pose both opportunities and threats. Most industrial family businesses are struggling to keep pace with technological innovation because of the absence of competence and investment (Batt et al., 2020). Digital solutions can provide opportunities for market expansion, operational efficiency, and intergenerational learning, pending the evolution of strategic governance mechanisms to support these changes (Zapata-Cantu et al., 2023).

Palestinian family industrial businesses are an important sector of the national economy but are working under severe pressure. Not just economic measures but also management of family relationships within the firm, especially leadership, communication, and succession, shape their survival and prosperity. Formal governance procedures individualized for specific business, benchmarked to cultural and institutional circumstances, hold the key to addressing such issues and improving business performance. By recognizing and meeting the special contextual challenges of Palestinian family firms, practitioners and policymakers can more effectively enhance their long-term viability and contribution to national development (Lipinski & Shomali, 2024).

### **2.1.2 Business Performance**

Business performance is a central concept in organizational studies and strategic management. It describes a firm's capacity to excel and function effectively towards attaining its objectives, whether strategic, financial, or operational (Suprihono et al., 2024). In family businesses, particularly in manufacturing businesses, performance is more multifaceted and richer in meaning, in contrast to non-family firms. Conventional business companies are generally evaluated mainly based on profitability and growth; however, family businesses also include other non-economic objectives like maintaining family harmony, maintenance of heritage, generational succession, and fulfillment of socio-cultural responsibilities to society (Basco, 2013; Chehimi, 2024).

Traditional business models usually involve financial performance indicators, for instance, revenue growth, net profit margin, return on investment (ROI), utilization of assets, and market share (Rahiminezhad Galankashi & Mokhatab Rafiei, 2022). These indicators are most often used as standards for success, especially for manufacturing and industrial companies with substantial dependence on capital investment, economies of scale, and productivity improvements (Kopecká, 2018). Financial indicators in family businesses only tell part of the story. Qualitative factors such as employee satisfaction, brand image, innovation capacity, customer loyalty, and harmony between generations are also important in assessing the health and direction of the firm (Tunç, 2022).

This general definition of business success is especially applicable to Palestinian manufacturing family businesses. These companies exist in a socio-political environment characterized by volatility, occupation, mobility restrictions, and weak institutional settings (Morrar & Baba, 2022). Such circumstances cause companies to depend more on internal assets such as social capital, family trust, and informal networks to survive and manage uncertainty (Mzid et al., 2019). Thus, resilience and adaptability become key

performance metrics that are as important as bottom-line figures when it comes to success measurement.

Financial performance is one of the main indicators in Palestinian industrial family businesses due to capital accumulation needs, reinvestment in fixed assets, and access to credit markets. Indicators such as gross margin, operational efficiency, return on assets, and liquidity ratios are critical for competitiveness and sustainability, particularly in light of the lack of access to external financing and the dominance of cash-based transactions (Rashid, 2021). These organizations tend to depend on internal performance perceptions as a result of limited auditing procedures and transparency issues, so managerial judgments and stakeholder opinions are central elements of performance measurement (Rutten, 2024).

Strategic performance features include market positioning, process or product innovation, supply chain robustness, and customer loyalty (Asare et al., 2023). These are crucial in the industrial environment, where companies must continue to adjust to technology and unstable input prices. Palestinian industrial family businesses operate with immense operational risk due to political instability and infrastructural deficits. Thus, strategic agility, the capacity to transform manufacturing processes, increase markets, and leverage digital platforms, has emerged as a key component of business performance (Ononiwu et al., 2024).

According to Yeon et al. (2021), the level of family involvement in the firm significantly influences performance results. Family ownership and management can promote long-term orientation, stability in operations, strong commitment, and trust among employees and consumers. This is especially valuable in Palestine, where social standing and reputation are deeply rooted in commercial legitimacy (Akella & Eid, 2018). On the other hand, over-control by families, especially in the lack of professional

management structures, can create inefficiency, nepotism, and resistance to innovation (Nasr et al., 2025).

Family relationships are a major determinant of the success of company performance (Santoro et al., 2021). Family firms will perform better than their counterparts when roles and responsibilities are well defined, communication is transparent, and succession planning is active (Eddleston et al., 2013). But when these relationships are not well managed, as in instances of intergenerational conflict, entitlement behavior, or lack of transparency, performance is likely to be affected (Kidwell et al., 2024). Palestine is challenged by the culture and strategy dilemma of reconciling traditional values and contemporary commercial exigencies.

Corporate governance plays a major role in determining family business performance (Sarbah & Xiao, 2015). Based on Soares et al. (2024), governance arrangements such as advisory boards, formal succession, remuneration policy, and performance measurement systems make accountability possible, minimize nepotism, and enhance decision-making. Formal governance in Palestinian industrial family businesses is generally negligible or applied informally, hence the lack of clear authority and role confusion (Abdelaziz, 2021). It requires the existence of governance structures that ensure alignment between family interests and corporate goals, as well as facilitate long-term performance.

Evidence indicates that governance structures contribute to improved corporate performance by raising transparency, involving external expertise, and facilitating meritocratic promotions (Cruz et al., 2012; Jerab, 2023; Mustakallio, 2002). These structures are particularly important in the case of generational handovers, which tend to represent turning points in the life cycle of a family business. Without official succession

planning, organisations are exposed to the risk of internal conflict, strategic misalignment, and loss of stakeholder trust (Ferrari, 2023).

In the case of Palestinians, most family enterprises exist in informal frameworks due to regulatory limitations, cultural traditions, and lack of access to institutional resources (Alaydi, 2021). These include using word-of-mouth agreements, cash transactions not being recorded, and intra-familial labor agreements. As a result of Emma (2024), such practices foster adaptability and trust-based cooperation; they simultaneously hinder scalability, diminish financial reliability, and hinder foreign market entry.

Thus, most Palestinian industrial family enterprises depend on subjective performance perception as opposed to objectively measured evidence. Perceived performance is channeled by internal satisfaction, operational stability, customer comments, and unofficial evaluations of profitability (Eklof et al., 2017). Though they are not objective, such indicators tend to more accurately portray performance in instances when official figures are incorrect or unobtainable (Rutten, 2024).

Innovation is a fundamental aspect of business performance (Ch'ng et al., 2021; Löfsten, 2014; Yusof et al., 2023). Improving technology, creating new products, and optimizing production processes are necessary to remain competitive, particularly in manufacturing industries. Family firms tend to be susceptible to innovation difficulties due to risk aversion, lack of cash, or opposition from older generations (RW Hiebl, 2014). Encouraging innovation, especially from younger family members or external partners, greatly improves performance (Li, 2022).

Organizational culture is also a deciding factor. Family businesses tend to have strong internal cultures that are founded upon values of loyalty, commitment, and shared values (Mikušová et al., 2024). Such an atmosphere can improve productivity, decrease

staff turnover, and foster a sense of mission among staff. However, an overly insular culture can undermine diversity of view and silence minority views, ultimately stifling flexibility (Sorenson & Milbrandt, 2023).

Palestinian industrial family businesses perform a richly contextualized yet multifaceted concept (Sheets, 2024). It transcends classical financial performance to integrate strategic responsiveness, innovation, governing quality, relational aspects, as well as fit with culture. In a fast-changing and resource-starved context such as Palestine, a company's performance is not as much the determination of market imperatives or organizational competence but about resilience, maneuverability, as well as responding to the balancing needs of both organizational and family interests.

The sustainability of these firms necessitates a dual strategy that appreciates the value of both formal regulatory frameworks and the informal cultural forces that underpin family engagement. Building performance frameworks that encapsulate this duality is essential for policymakers, researchers, and practitioners interested in assisting Palestinian family firms in attaining sustainable economic and social contributions.

### **2.1.3 Corporate Governance**

Corporate governance is the framework of rules, procedures, and processes by which a company is controlled and directed. It covers the interactions among a firm's board, shareholders, management, and other stakeholders, and develops the framework of corporate goal-making, performance tracking, and risk control (Tricker, 2015; Vannoni et al., 2024). Although corporate governance principles are globally significant in terms of promoting openness, accountability, and efficiency, their application to family businesses, especially in poor economies such as Palestine, calls for special attention.

Family firms exist at the boundary of two systems: the family and the corporate organization. This duality generates a special governance dilemma. Family business governance entails not just managerial responsibility and safeguarding shareholder interests but also family cohesion, legacy, and socioemotional wealth (Gómez-Mejía et al., 2007; Nidaazzi & Zaher, 2025). In such companies, particularly in industries, corporate governance must be constructed to incorporate both economic sense and emotional factors.

Traditional corporate governance models emphasize structures such as boards of directors, shareholder voting rights, managerial oversight, and disclosure mechanisms. These are critical for minimizing agency problems, conflicts of interest between managers and owners, and for improving performance by ensuring that managerial actions align with shareholder goals (Jensen & Meckling, 2019). In family businesses, however, ownership and management are often concentrated within the same group, reducing some agency conflicts while introducing others, namely, those between active and passive family owners, or between different generational cohorts with divergent visions (Blanco-Mazagatos et al., 2016).

To address these challenges, family businesses often incorporate governance mechanisms that extend beyond traditional corporate structures. These include family constitutions, councils, charters, succession plans, and protocols for intergenerational decision-making (Calabrò et al., 2021). Such mechanisms provide clarity on roles and responsibilities, help resolve disputes before they escalate, and institutionalize family values in the business strategy.

In the Palestinian economy, the relevance of corporate governance is magnified by the structural weaknesses of formal institutions. Family firms represent over 70% of all businesses in the West Bank and Gaza Strip and are the backbone of industrial activity

(PCBS, 2024). However, most operate without formal governance frameworks. Decisions are often concentrated in the founder or a small group of senior family members, with little separation between ownership and control (Abuznaid, 2014; Arteaga & Escribá-Esteve, 2021). While this structure may facilitate speed in decision-making and reinforce trust, it creates vulnerabilities, including a lack of succession planning, internal conflict, and resistance to professionalization (Equan, 2021).

Weak legal enforcement, limited access to capital, and geopolitical volatility render internal governance structures more important. In such situations, family firms cannot depend upon judicial systems or regulatory agencies to resolve conflicts or secure shareholder rights (Baughman et al., 2021). Governance systems, therefore, must be self-policing and culturally nuanced, fusing ancient authority with contemporary practice in a manner that will promote continuity and strategic resilience (Chandler, 2018).

Succession is among the central governance challenges facing Palestinian industrial family firms. Succession transfers are often informally held under the dictates of family rather than competence or readiness, and thus, it could potentially lead to dispersion and below-average performance (von Schlippe et al., 2021). In the absence of clarity on succession, continuity of the organization is threatened, intergenerational conflict heightens, and streams of confidence are lost among the stakeholders.

Research has established that institutionalized governance models, such as mentorship programs, leadership development strategies, and succession planning policies, play a critical role in facilitating effective intergenerational transitions (Chalhoub, 2025; Kehinde, 2023; Kelta Tabaku, 2024). Through these models, transitions are more strategic, transparent, and smoother.

Good governance is strongly linked with business performance (Achim et al., 2016; Tjahjadi et al., 2021). It reduces agency costs, enhances strategic fit, and enhances

investor faith. Research conducted by Umans et al. (2020) and Mustakallio (2002) reveals that independent directors' presence, performance-related compensation schemes, and regular financial audits are linked with enhanced innovation, profitability, and business valuation. Salameh (2017) concluded that although not all Palestinian family businesses possess the ability to formulate complex systems, even simple systems like defining tasks and sporadic performance appraisals can bring significant advantages.

Moreover, governance practices serve to reduce nepotism and emotional bias prevalent in close-held family businesses. As per Eddleston et al. (2013) and Wu et al. (2024) emotion-driven decision-making can impede corporate performance by giving primacy to family loyalty over sound commercial judgment. Governance is a system of checks and balances that ensures that decisions are based on merit and strategic importance, not on personal relationships.

Palestine's political and economic challenges often lead to internal governance structures replacing regulatory oversight from the outside. Compensation plans, anti-takeover protections, and internal audits are mechanisms that add transparency and enhance crisis resistance (Aggarwal et al., 2011; Daidj, 2024). These mechanisms in family firms facilitate the equilibrium of family and professional management requirements, especially as company size and complexity rise.

Hybrid governance models are increasingly prevalent among Palestinian industrial companies. These structures combine traditional family control with formal corporate governance. For instance, while older family members maintain symbolic leadership positions, decision-making authority is transferred to professional managers or advisory boards. This development allows for innovation and operational efficiency while maintaining trust and cultural continuity (Jaradat, 2024).

Additionally, an International framework like the International Finance Corporation (IFC) offers useful templates that can be used to suit local conditions (Yeo, 2025). They promote the development of governance charters, the establishment of ownership and leadership rights, and the adoption of mechanisms for resolving disputes. These approaches are especially applicable in Palestine, where informal governance norms dominate, and family businesses must use self-regulation to make their way through a precarious legal and economic environment (Merkbawi, 2021).

Management of corporate business within Palestinian family business groups is not merely a bureaucratic necessity but also a strategic necessity (Nabeel, 2023). It facilitates strategic foresight, increases flexibility, and allows firms to react to external distractions effectively. Where governance chimes with the belief of the family and strategic needs of the company, both corporate continuation and intergenerational succession ensue (Söderström & Kock, 2023).

Governance in family business plays a multi-faceted role in accountability, maintaining family unity, and enhancing performance (Gouz & Alloui, 2024). For Palestinian industrial firms under institutional uncertainty and socio-political turmoil, governance remains the driving factor of resilience and growth. Instating governing structures made up of international best practices and local traditions can enable such firms to endure hardship. Thus, enhancing family business corporate governance must be on the agenda of researchers, policymakers, and practitioners committed to sustainable economic development in Palestine.

#### **2.1.4 Family Dynamics**

Family dynamics denote the emotional, behavioral, and relational patterns that characterize interactions among family members, especially within the framework of

jointly owned or managed enterprises (Richardson, 2022). In family firms, these dynamics affect various organizational activities, including decision-making, leadership succession, dispute resolution, strategic direction, operational discipline, and innovation (Hasan, 2024). Comprehending family dynamics is essential for analyzing how familial engagement may serve as both a driver and a limitation to corporate performance.

The impact of family dynamics is especially significant in civilizations such as Palestine, where cultural, tribal, and familial frameworks are intricately woven into the social and economic fabric (Sinha, 2023). Palestinian family enterprises are distinguished by intimate relationships, intergenerational connections, and robust emotional ties that frequently surpass commercial rationale. In such environments, the boundaries between the family and the firm are frequently blurred, and business decisions are shaped not only by financial calculations but also by personal loyalties, social expectations, and intergenerational obligations (Calabrò et al., 2021; Khoury et al., 2024).

The socio-cultural context of Palestine is built on collectivist norms that emphasize kinship, loyalty, and elder authority. These values influence business conduct in several ways. First, they contribute to the establishment of a trust-based business culture in which family members feel a deep sense of responsibility toward the firm. This often translates into long-term commitment, low turnover, and high levels of organizational identification. Second, they foster continuity, as younger generations are socialized early into the business and expected to carry forward the founder's vision and values (Abdelaziz, 2021; Gómez-Mejía et al., 2007).

However, these same values can become impediments to growth when they prevent the integration of professional management, limit the participation of women or younger members in leadership, or obstruct strategic decision-making. In many Palestinian family firms, especially those in the industrial sector, resistance to change,

hierarchical rigidity, and emotional interference are common challenges that hinder competitiveness and innovation (Latte Abdallah, 2022).

Scholars such as Zellweger et al. (2012) and Klein et al. (2005) have conceptualized family dynamics through several dimensions that capture the complexity of family influence on business operations. These include:

- **Family Control and Influence:** refers to the extent to which family members dominate strategic and operational decisions within the firm (Scholes et al., 2021). In Palestinian family businesses, authority often rests with the founder or the eldest male figure, creating a centralized power structure. While this may enable swift decisions and a unified vision, it can also suppress alternative viewpoints and marginalize capable successors, especially women or younger family members (Sultan et al., 2024). In the absence of checks and balances, centralized control may lead to autocratic leadership and resistance to innovation.
- **Identification with the Firm:** Many family members in Palestine see the business not as a separate entity but as a reflection of the family's reputation and identity. This psychological ownership fosters deep commitment, resilience, and a willingness to make personal sacrifices for the firm's success (Allen & Meyer, 1990; O'Reilly & Chatman, 1986). However, this strong identification may also lead to emotional decision-making, overprotection of the status quo, and rejection of professional advice or external scrutiny.
- **Binding Social Ties:** Strong family ties serve as a form of informal governance, enabling coordination, trust, and mutual support. These ties can improve crisis management and reduce transaction costs. Yet, they can also give rise to nepotism, favoritism, and unmerited promotions, which in turn demotivate non-family employees and undermine meritocratic culture (Weimann et al., 2021). In

industrial firms where operational efficiency is critical, such relational favoritism can be particularly detrimental.

- **Emotional Attachment:** Affective commitment to the business plays a key role in sustaining firms during periods of external or internal adversity. In Palestine, where businesses are frequently exposed to military conflict, border closures, and economic volatility, this emotional bond often serves as a stabilizing force. However, excessive emotional attachment may also hinder critical evaluation of performance, delay restructuring efforts, and impede the exit of underperforming family members (Abdelaziz, 2021).
- **Dynastic Succession:** Succession is perhaps the most sensitive and influential element of family dynamics. In Palestinian family firms, transitions in leadership are typically informal and based on family seniority or inheritance rather than objective criteria. The absence of structured succession planning often results in power struggles, confusion, and, in extreme cases, business fragmentation or closure (Chalhoub, 2025; Ferrari, 2023). To safeguard continuity and performance, succession should be approached as a strategic process that balances personal aspirations, family expectations, and business needs.

The socioemotional wealth (SEW) theory provides a comprehensive framework for examining the non-economic objectives that influence family company activity (Brigham & Payne, 2019). Derkacz and Lundström (2024) assert that family enterprises prioritize the preservation of socioemotional assets, including family identity, legacy, and intra-family peace, even if it compromises financial results. In Palestine, the connection between family reputation and social position with business outcomes is extremely pronounced. Although SEW can promote stewardship, resilience, and ethical behavior, it may also induce lethargy, excessive embeddedness, and risk aversion.

Empirical research continually underscores the dual structure of familial dynamics. Cohesive family relations, aligned objectives, and transparent communication correlate with strategy clarity, adaptation, and performance resilience (Miller & Le Breton-Miller, 2006; Sorenson & Milbrandt, 2023). Conversely, inadequate communication, ambiguous roles, and entitlement behaviors have been associated with less innovation, increased staff turnover, and operational inefficiencies (Eddleston & Kellermanns, 2007; Mustakallio, 2002).

Palestinian studies show that companies with good family dynamics, defined by intergenerational communication, cooperative leadership, and clear role delineation, are best equipped to thrive and endure shocks from the outside (Abuznaid, 2014; Jaradat, 2024). On the other hand, companies characterized by patriarchal control, intragroup conflict, or succession uncertainty tend to experience stagnation and strategic misalignment.

Structured governance mechanisms can help regulate family dynamics and mitigate associated risks. These include role definitions, conflict resolution procedures, performance evaluation systems, and succession protocols. When implemented thoughtfully, governance structures preserve the benefits of familial commitment while imposing discipline and strategic direction (IFC, 2018). For Palestinian firms operating in weak institutional environments, such internal governance may be the only buffer against both market and relational disruptions.

The Palestinian industrial family business dynamics are complex and interwoven with cultural, emotional, and historical backgrounds. They are a cornerstone of unity, dedication, and toughness, but are enormous challenges if not successfully handled. The traits that bind the family to the business emotional attachment, group identity, and

commitment across generations, can also be an obstacle to strategic adaptability and management.

To sustain long-term performance, Palestinian family firms must develop mechanisms to manage family dynamics proactively. This includes integrating culturally relevant governance structures, fostering transparent communication, and institutionalizing succession planning. Only by aligning emotional investment with strategic imperatives can family dynamics become a sustainable advantage rather than a hidden liability.

## **2.2 Hypotheses Development**

### **2.2.1 Family Dynamics and Business Performance**

Family dynamics are a fundamental factor influencing the functioning and performance of family-owned enterprises (Munagapati, 2018). They encompass the behavioral, emotional, and relational patterns among family members involved in the business and extend to communication quality, conflict resolution, decision-making approaches, and succession planning (Ferrari, 2023; Hasan, 2024). Within family firms, especially in environments that are complex and volatile like Palestine, these processes assume greater significance due to the lack of stable institutional configurations and the centrality of family as a social and economic entity.

Family businesses are practically defined by the overlap of two autonomous yet interdependent systems: the family system and the business system (McAdam et al., 2023). Through the overlap, the result is a distinct organizational culture where emotional ties, heritage, and long-term view exist alongside financial imperatives like profitability, innovation, and expansion. As a result, family dynamics can serve both as a source of

competitive advantage and as a potential source of dysfunction if not properly managed (Gómez-Mejía et al., 2007).

Socioemotional wealth (SEW) is a significant theoretical foundation for explaining family firm members' impact on business performance. SEW is the non-economic value of a company that family members aim to maintain, such as family identity, reputation, continuity, and emotional connection to the firm, as defined by Brigham and Payne (2019). The pursuit of SEW can promote long-term orientation, ethical conduct, and loyalty of employees, but may lead to conservatism, opposition to change, and unwillingness to accept external managers or investors (Calabrò et al., 2021).

In risky contexts like the Palestinian territories, the positive qualities of SEW, including trust, loyalty, and resilience, may be particularly valuable. Family firms frequently play economic, social, and political functions, providing stability and continuity in an otherwise chaotic environment (Gatti et al., 2023; Khoury et al., 2024). Yet, when family relationships are incongruent or badly governed, SEW pursuit may cause organizational rigidity, decision paralysis, or the supremacy of emotional over strategic objectives.

Drawing on the framework proposed by Zellweger et al. (2012), five dimensions of family dynamics have been widely recognized as critical to the performance of family firms. In many Palestinian family businesses, authority is centralized in the founder or senior family members, often following traditional patriarchal norms. While this centralized control can offer direction and speed in decision-making, it can also create bottlenecks and discourage dissent, innovation, and participation from younger or female family members (Brynjolfsson & Ng, 2023). Nevertheless, when aligned with a strong sense of vision and accountability, concentrated family control can ensure consistency, long-term investment, and stability (Miller & Le Breton-Miller, 2006).

Family members who see the business as a direct extension of the family's identity tend to invest greater time, energy, and emotional resources into its success. This internalization of the business's goals often results in increased resilience, personal sacrifice, and ethical business conduct (Allen & Meyer, 1990; O'Reilly & Chatman, 1986). In Palestine, where social and community perceptions are central to family standing, such identification also strengthens the business's legitimacy and stakeholder relations (Abuillan, 2023).

Strong emotional bonds among family members can enhance mutual support, trust, and crisis endurance. This is especially relevant in industrial firms in conflict-affected areas, where emotional resilience and family solidarity are essential for continuity (Abdelaziz, 2021). However, excessive emotional attachment can hinder objective decision-making and lead to conflicts, especially when personal emotions override business rationality (Eddleston & Kellermanns, 2007). Social ties within the family contribute positively to informal communication, knowledge sharing, and operational agility, but may also foster favoritism and reduced accountability.

Succession planning is a critical juncture in the life cycle of any family firm. When managed well, it enables knowledge transfer, strategic renewal, and continuity. However, in many Palestinian family businesses, succession is informal and based on kinship hierarchies rather than merit or preparedness. The lack of structured succession planning often leads to a leadership vacuum, internal strife, and erosion of business direction (Chalhoub, 2025). Conversely, firms that invest in mentorship, leadership development, and succession protocols report improved strategic alignment and performance.

Transparent communication and well-defined role expectations bring about a healthy company culture and lower the incidence of internal conflict (Jerab, 2023). Family businesses with smudged demarcation of family and business roles benefit greatly

from responsibility clarity and transparent communication to avoid misconceptions, struggle for power, and redundancy at work. Palestinian family enterprises that promote broad-based participation and formalized roles are more likely to have increased adaptability and decision-making efficiency (Andersen et al., 2013).

Empirical research consistently portrays the positive relationship between good family dynamics and firm performance. Chepchumba (2022) discovered that co-operative familial relationships improved strategic choice, spearheaded innovation, and fortified operating performance. Armandola (2024) further indicated that close-knit family units with uniform objectives outperform fragmented ones in terms of performance. The discovery is of significant relevance in the Palestinian context, where companies tend to appear as economic and social organizations simultaneously (Akella & Eid, 2018).

Palestinian family firms have significant external restrictions, including restricted mobility, insecure legal arrangements, and limited access to resources (Abuznaid, 2014; Rutten, 2024). Such firms often execute social missions that are usually delegated to the state, for instance, employing family members or contributing to the community. Internal workability and stability within the family are the most important parameters that affect the life of the corporation. Structured family dynamics serve as a safeguard against environmental volatility, enabling enterprises to maintain operations and potentially expand under adverse conditions (Gatti et al., 2023).

However, great risks come with unmanaged family relationships. They are role ambiguity, power conflict, entitlement orientation, and intergenerational conflict. Absence of governance mechanisms in institutions to manage these risks makes organizations susceptible to stagnation or collapse (Aye et al., 2016). To facilitate the ease of risks and facilitate the advantages of family relationships, having governance

mechanisms such as advisory boards, succession plans, and measurement of performance is advisable (Jaradat, 2024).

Family relationships constitute a significant factor in propelling the success of Palestinian industrial family firms. Involving respectful relationships, open communication, emotional support, and structured succession planning, they are an asset to the company. Unstructured or uncontrolled, however, they can initiate conflict, inefficiency, and stagnation. In the Palestinian socio-political environment, with firms facing internal limitations and external ambiguity, family relations become more salient. They shape individual relations within the company and the company's viability, adaptation, and prosperity. Academics and practitioners must approach family relations as an intrinsic driver of corporate success and examine the mechanisms of governance that can further empower their positive influence.

***H1:** Family dynamics have a significant positive effect on the performance of family businesses in the Palestinian industrial sector.*

### **2.2.2 Family Dynamics and Corporate Governance**

Family business corporate governance is more than command, oversight, and accountability; it constitutes an intricate relational system forged by family dynamics, custom, and socioemotional considerations (Marques et al., 2023). Family firm governance, particularly in sensitive and high-context environments such as Palestine, has a twofold purpose of structuring operations and protecting the unity, heritage, and custom of the family (Abuarkub et al., 2024; Salameh, 2017). The character and quality of the governance systems also largely depend on the family dynamics underlying them.

In the Palestinian context, where private sector leadership is characterized by industrial family businesses, governance frameworks tend to arise unplanned rather than

through intentional design. They are more likely to be underpinned by trust, tradition, and informal authority arrangements rather than formal rules or institutionalized arrangements (Samara, 2021). This informality offers certain advantages, such as rapid decision-making and high levels of commitment, but also introduces risks of role ambiguity, favoritism, generational tension, and governance inefficiency (van Popering-Verkerk & van Buuren, 2016). Consequently, family dynamics emerge as a critical determinant of whether and how corporate governance practices are implemented and sustained.

Family dynamics, defined as the emotional, behavioral, and relational interactions among family members, have a direct impact on how governance structures are perceived, accepted, and utilized within family firms (Richardson, 2022). When family dynamics are constructive, characterized by clear communication, mutual respect, shared vision, and intergenerational collaboration, they foster an environment conducive to governance adoption. In contrast, when family dynamics are conflictual, opaque, or authoritarian, efforts to formalize governance are often resisted or undermined.

As Suess (2014) notes, relational governance grounded in trust and informal coordination can be highly effective in cohesive families. However, as firms grow in size and complexity, reliance on informal governance becomes insufficient. Formal governance mechanisms such as advisory boards, family councils, and succession committees become necessary to ensure accountability, strategic alignment, and long-term sustainability, according to Saroja Achanta (2025). Family dynamics thus play a facilitative or obstructive role in transitioning from informal to formal governance systems.

Zellweger et al. (2012) posit that adoption of governance arrangements is usually motivated by the need to safeguard socioemotional wealth (SEW), which are the non-

monetary elements of the family firm that are highly valued by the family, e.g., identity, reputation, and legacy. When family members are deeply emotionally invested in the company and strongly identify with its success, they are more likely to endorse governance decisions that preserve continuity and minimize internal conflict (Humphrey et al., 2021). In this case, governance is not only a strategic device but also a means of preserving the collective aspirations of the family.

Governance quality is not only determined by structure but also by culture. Rustam and Narsa (2021) emphasize that good governance in family businesses needs both formal institutions and an open, accountable, and inclusive family culture. Harmonious family relationships grounded in open communication, participative leadership, and well-delineated roles enable effective incorporation of governance practices (Udoh, 2025). They enable boards to function smoothly, ensure compliance with established policies, and assist with intergenerational planning. In the Palestinian manufacturing industry, the governance issues are usually intensified by political instability and financial limitations.

In this case, intra-familial dynamics matter. Zellweger et al. (2019) claim that family firms with high levels of intra-firm cohesion and intergenerational trust are likely to implement formal governance practices, even if there are institutional voids outside their company. Such practices include setting up advisory committees, creating family constitutions, and employing conflict resolution methods.

Conversely, when family dynamics are dysfunctional, marked by rivalries, secrecy, entitlement behaviors, or patriarchal dominance, governance reforms tend to be superficial or symbolic. Structures may be introduced for appearance but fail to function effectively due to a lack of buy-in or enforcement. Governance quality thus hinges on the degree to which family members are aligned in purpose and values, and on their

willingness to delegate authority and institutionalize decision-making processes (Safadi et al., 2025).

Trust is the bedrock upon which governance legitimacy is built in family firms. Sorenson and Milbrandt (2023) contend that interpersonal trust among family members increases adherence to governance processes, enhances delegation, and facilitates open communication. Governance tools in high-trust families are not perceived as external mandates but rather as jointly constructed frameworks for maintaining equity, continuity, and effectiveness.

In Palestinian family firms, where state intervention tends to be weak and enforcement of law variable, internal trust-based governance becomes even more pivotal. LeCounte (2022), argues that trust allows members of the family to embrace performance appraisals, succession policies, or board monitoring without regarding these interventions as attempts to undermine familial autonomy. In the absence of trust, governance mechanisms may be present in terms, but lack actual efficacy as they are avoided for informal consultation or clandestine agreements (Verhoest et al., 2025).

Culture has a profound impact on the attitude and practice of family business governance. Cultural values in Palestine, including respect for authority, collectivism, and family honor, impact the delegation of authority and adherence to formal rules. Formal governance processes in certain instances are perceived as intrusive or not consonant with traditional decision-making methods (Holzinger et al., 2016). Nevertheless, when family leaders possess emotional intelligence and openness to innovation, these cultural values can be harmonized with modern governance practices to create context-sensitive systems.

Generational shifts also affect governance development. Older generations may emphasize loyalty, secrecy, and family authority, but young individuals, under the influence of global education and management schools of thought, tend to push for

professionalism, information-driven decision-making, and careerism based on performance. Strong family relations, including intergenerational communication and comprehension, play a critical role in filling this gap and guaranteeing a government transition (Marzo, 2024).

Both stewardship theory and agency theory provide accounts concerning the relationship between family and governance from a theoretical perspective. Agency theory (Jensen & Meckling, 2019) accounts that structures of governance are required to eliminate conflict between agents (managers) and principals (owners). In career-overlapping family firms, the significant agency problem occurs not on account of heterogeneity in money incentives but owing to family branch or generational conflict. Good family relationships lower agency costs by harmonizing interests and reducing oversight requirements.

Stewardship theory, however, refers to the natural tendency of family members to behave in the best interest of the firm. It asserts that when family members see themselves as stewards and not as agents, they focus on long-term success as opposed to individual benefit (Miller & Le Breton-Miller, 2006). In the majority of situations, governance arrangements are naturally occurring because of a mutual sense of duty and responsibility. The best stewardship climate is most likely to exist when family dynamics produce psychological safety, common values, and mutual trust.

An empirical study in Palestine vindicates the family dynamics' moderating effect on the outcomes of governance. Klenke (2018) established that organizations with clearly demarcated intergenerational leadership roles and accessible communication systems had a greater probability of formalized governance arrangements. Tang and Hussin (2020) documented those arrangements for governance, such as succession plans, family

policies, and advice committees, worked well in companies with diverse participation-based encouragement and acknowledgment of generational inputs.

Conversely, family businesses that were beset by internal conflict, strict hierarchies, or patriarchal control tended to fare poorly in terms of adopting governance reforms. These companies tended to have poor role definitions, an absence of succession planning, and resistance to openness, resulting in lower flexibility and poor performance. Family relationships play a great role in affecting the adoption, design, and performance of corporate governance arrangements within family firms. In the case where weak external institutions, like in the case of Palestine, and family businesses predominate, the governance arrangement is in close connection with the relational and emotional dynamics of the family. Sound family relationships strengthen the establishment of effective governance arrangements, reduce resistance to formalization, and ensure long-term business sustainability.

***H2:** Family dynamics have a significant positive effect on the implementation and quality of corporate governance practices in Palestinian industrial family businesses.*

### **2.2.3 Corporate Governance and Businesses performance**

Corporate governance is commonly regarded as a key driver of a business's performance across most organizational settings. In family firms, particularly in industrial parts of developing and institutionally fragile economies like Palestine, sound governance is not merely a watchdog role but also an instrument for building resilience, spearheading innovation, coping with complexity, and maintaining competitiveness in the long term (Tricker, 2015; Vannoni et al., 2024). Due to the major contribution of family businesses to the Palestinian economy, governance structures are important in determining company

longevity, particularly at generational changeovers, resource shortage, and outside uncertainty.

Corporate governance, in its broadest sense, is the framework by which organizations are controlled and regulated. It entails the division of rights and obligations among the stakeholders of the organization, like the board, shareholders, and management, and lays the foundation for setting objectives, measuring performance, and managing risks (IFC, 2018). In the family business, governance processes embrace not only legal and formal structures, but also informal practices grounded in kinship customs, emotional attachments, and familial relationships.

In general, corporate governance aims to avoid agency issues by harmonizing the interests of owners and managers (Jensen & Meckling, 2019). In family firms, where roles tend to be overlapping, governance takes on extra roles: safeguarding minority shareholders, succession management, reducing intra-family conflict, and distinguishing ownership from management (Calabrò et al., 2021). These jobs are particularly applicable in the manufacturing sector, where the size of operations, capital intensity, and strategic planning call for high professionalism and responsibility.

In Palestinian family firms, power is frequently informal or weakly formalized. Many companies continue to be controlled by founders or older family members who exercise concentrated power with minimal institutional oversight (Abuznaid, 2014; Jaradat, 2024). This form of structure may encourage flexibility and quick decision-making, but also prevent adaptability to unfavorable conditions, suppress innovation, and cause succession issues. It is required that the move toward more formal and systematic governance models be made to drive both short- and long-term performance outcomes.

Empirical research has demonstrated a close association between governance mechanisms and firm performance. Successful family firms have active boards,

succession planning, independent auditing, and performance-based evaluation systems based on Umans et al. (2020). Such mechanisms enable strategic alignment, reduce decision-making biases, and build stakeholder trust, all of which are crucial for industrial firms competing in turbulent markets.

Boards are a critical oversight and strategic instrument for family firms. A well-constituted board of independent, non-family directors introduces diverse perspectives, minimizes emotional decision-making, and holds management accountable for achieving performance objectives. In Palestine, where family influence is pervasive, even semi-formal advisory boards can serve as platforms for transparency, collective decision-making, and generational learning (Abdelaziz, 2021).

A lack of succession planning is one of the most cited reasons for the decline of family businesses after the first or second generation. Governance systems that incorporate formal succession protocols ensure a smoother transition of leadership and preserve firm continuity (Kurniawan, 2024). They also help identify and develop the next generation of leaders based on merit rather than kinship (Puansah et al., 2024).

Well-defined ownership structures and fair compensation policies contribute to motivation, reduce conflicts, and enhance employee commitment. In many Palestinian firms, compensation is often informal and emotionally driven, creating perceptions of unfairness and weakening performance. Implementing transparent and performance-based compensation frameworks ensures equity and aligns personal incentives with business outcomes (Aggarwal et al., 2011; Sadiq & Gebba, 2022).

Governance frameworks that include regular internal and external audits help identify inefficiencies, ensure financial integrity, and enhance investor and lender confidence (Udoh, 2025). Palestinian commercial enterprises looking for external capital or donor money usually have to show effective financial control as a prerequisite.

Palestinian firms have numerous external challenges, such as political instability, restricted migration, regulatory ambiguity, and restricted access to formal capital. In such a scenario, internal governance is critical in guaranteeing organizational effectiveness as well as sustainability. Gatti et al. (2023), believe that organizations with internal resilience as well as discipline are better placed to persevere in the face of external shocks. In such a situation, corporate governance becomes a survival necessity rather than a management luxury.

Moreover, given the limited role of public institutions and legal enforcement in Palestine, family firms often serve as quasi-public institutions, employing relatives, offering community support, and sustaining social networks (Ali et al., 2021). Without governance, these roles can become burdensome and reduce profitability. With effective governance, however, firms can balance social responsibilities with business imperatives.

Agency Theory suggests that governance structures are essential for minimizing agency costs and conflicts of interest between owners and managers. In family firms, these conflicts may not stem from external managers but from intra-family disputes, differing generational priorities, or unclear role definitions. Governance mechanisms, like independent boards, specific contracts, and succession strategies, lower costs and enhance decision-making quality (Jensen & Meckling, 2019).

The Resource-Based View posits that firms attain competitive advantage by leveraging valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 2001). In family businesses, institutional arrangements safeguarding and utilizing human capital, relational trust, and tacit knowledge serve as strategic assets. Effective governance ensures that intangible assets are utilized to the fullest, hence enhancing long-term performance (Ionita & Dinu, 2021).

Several research studies have confirmed the positive relationship between governance and business performance. Mihotić et al. (2023), Zapata-Cantu et al. (2023), and Neubauer and Lank (2016) proved that family businesses employing hybrid governance systems, which integrate traditional family values with contemporary models, were more crisis-resistant. Berns and Klärner (2017) and Zhang et al. (2023) proved that high-performing boards and strategic succession result in innovation, revenue stability, and stakeholder trust.

In the Palestinian context, Rai et al. (2019) showed that organizational governance with clearly established structures performed well in handling intergenerational transitions, lowering tensions, and maintaining strategic focus. Bao et al. (2013) and Niewiesk and Garrity-Rokous (2021) proved that performance outcomes were enhanced when systems of governance had codified roles, evaluation methods, and leadership development programs.

Corporate governance naturally touches the operation of family businesses. It gives strategic direction, reduces internal fighting, raises professionalism, and promotes flexibility. In risky environments, such as in Palestine, where external institutions are not strong, internal governance acts as a surrogate instrument to combat risk and complexity. In family enterprises, governance is more than compliance or command; it involves institutionalizing succession, accountability, and strategic discipline. Effective governance converts affective loyalty into operational effectiveness and legacy preservation into strategic advantage.

***H3: Corporate governance has a significant positive effect on the performance of family businesses in the Palestinian industrial sector.***

#### **2.2.4 Family Dynamics, Corporate Governance, and Family Businesses**

Family firms function at the intersection of economic and emotional paradigms. Family systems, involving behavioral, relational, and emotional family member dynamics, are a dominant characteristic of family firms and affect organizational performance and strategic decision-making (Chrisman et al., 2008; Picone et al., 2021). Family dynamics' impact on performance is neither linear nor stable but depends upon the availability and effectiveness of corporate governance practices. Corporate governance, in this case, serves as a moderating function, reinforcing or dissolving the impact of family dynamics on company performance, as per the design and implementation (Amin et al., 2022; Gupta & Chauhan, 2023).

In the context of Palestinian industrial family businesses, this moderating relationship takes on even greater significance. These firms not only dominate the economic landscape but also function in a high-risk, low-institutional environment characterized by political instability, limited legal enforcement, and constrained financial infrastructure (PCBS, 2024). Consequently, the internal mechanisms of control, such as corporate governance, become critical for aligning emotional loyalty with strategic objectives and ensuring business continuity across generations.

A moderator variable influences the strength or direction of the relationship between an independent and a dependent variable (Fritz & Arthur, 2017). In this case, family dynamics influence business performance, and corporate governance acts as a moderator that either enhances or diminishes this relationship. This concept is particularly relevant to family firms, where emotional and relational factors can both empower and obstruct strategic effectiveness depending on the institutional scaffolding within which they operate (Miller & Le Breton-Miller, 2006).

Without formal governance mechanisms, positive family dynamics may be undermined by informality, ambiguity, or personal conflict. Conversely, when robust governance systems are in place, these dynamics can be translated into strategic advantage through structured succession planning, professional management, accountability frameworks, and clearly defined roles (Klein et al., 2005; Samuel & Isa, 2024).

Agency Theory posits that in the absence of effective governance; agency problems arise due to conflicts of interest between owners and managers. In family firms, these problems are often intra-familial between active and passive owners, siblings, or across generations. Good governance reduces agency costs by clarifying roles, formalizing decision rights, and institutionalizing accountability (Jensen & Meckling, 2019). Family dynamics alone cannot resolve these conflicts unless guided by formal structures.

Stewardship Theory, on the other hand, views family members as stewards of the firm who act out of intrinsic motivation, loyalty, and a desire to pass on the business to future generations. However, this idealized view assumes high levels of trust, cooperation, and alignment of values, conditions that governance structures help protect and institutionalize by Miller and Le Breton-Miller (2006). When family dynamics are positive, governance mechanisms help maintain stewardship behavior and translate it into performance outcomes.

Palestinian family industrial businesses tend to be characterized by emotional attachment, family dedication, and long-term dedication. These dynamics give rise to long-term direction and organizational durability, particularly when faced with external shocks like political instability or economic downturns (Khoury et al., 2024). Yet, in the absence of institutional mechanisms directing these processes, they tend to lead to

nepotism, role ambiguity, succession conflict, and opposition to external innovation (Ferrari, 2023).

A Palestinian business with close familial relationships but no succession planning can experience a leadership void at the retirement or death of the founder (Abuznaid, 2014). A family business bound by kinship, united by vision, can still deteriorate in terms of performance due to a lack of performance appraisal, financial controls, or a third-party advisory process (McAdam et al., 2023). Governance becomes the moderator in both instances that dictates whether or not the familial relationship helps with performance enhancement or deterioration.

Research demonstrates that governance in the firm influences the extent to which family dynamics influence performance. That positive familial relationships enhance performance only in conjunction with mechanisms that promote equity and transparency (Kroll, 2017; Vajda et al., 2024). During a crisis, family businesses with high-quality governance systems were more capable of using family solidarity to resolve issues (Eddleston et al., 2012; Rondi et al., 2022).

Alzarooni (2021) explains that in the Palestinian context, family firms with well-defined governance structures, including advisory boards, compensation policies, and formal succession plans, outperformed those based on informal decision-making or patriarchal authority alone. Hillman and Baydoun (2020) illustrate that governance arrangements in Palestinian firms not only reinforce internal dynamics but also build outward trust with stakeholders and financial institutions.

Furthermore, transgenerational succession studies indicate that governance is instrumental in determining if familial relationships throughout periods of succession are a result of continuity or discontinuity (Chalhoub, 2025). In organizations where systems of governance are composed of mentorship initiatives, objective measurement of

performance, and transparent succession planning, the succession process is less bumpy and more supportive of enhanced performance.

Effective family dynamics, which are entrenched in values of trust, common vision, and dedication, can be institutionalized through governance structures so that such values become embedded in the organizational system and do not rely on the personalities of current leaders (Chaudhary et al., 2025). This is particularly important in Palestine, since there are no strong external systems and internal cohesion tends to decide on firm survival.

Governance also plays a critical role in managing the intergenerational transfer of values and vision (Bencsik & Machova, 2016). Positive family dynamics often enable emotional buy-in from successors, but governance ensures that leadership transition is aligned with strategic and operational needs. Without governance, successors may be chosen based on seniority or favoritism rather than competence, weakening the firm's strategic positioning.

In environments where family dynamics are conflictual due to generational divides, rivalries, or misaligned expectations, governance mechanisms serve as buffers that prevent personal disagreements from escalating into organizational dysfunction. Formal conflict resolution mechanisms, performance-based compensation, and role descriptions help prevent destructive behaviors from affecting the wider business (Mustakallio, 2002; Victoria, 2022). This role is especially critical in industrial sectors, where poor coordination, delayed decisions, or production disruptions can result in immediate financial losses. Effective governance ensures that business continuity is not hostage to interpersonal dynamics.

The relationship between family dynamics and business performance is not straightforward; it is conditioned by the quality and presence of corporate governance

mechanisms (Munyoki, 2021). In Palestinian industrial family businesses, where institutional voids are prevalent and family influence is dominant, corporate governance serves as a necessary bridge that transforms emotional capital into strategic advantage.

When governance is present and functioning, it enhances the performance benefits of positive family dynamics such as trust, loyalty, and long-term commitment while mitigating risks such as nepotism, role ambiguity, and succession disputes. Therefore, this study posits the following hypothesis:

**H4:** *Corporate governance moderates the relationship between family dynamics and business performance, such that the relationship is stronger when effective governance mechanisms are in place.*

Table (2.1) Synthesis of Previous Works Examining Family Business Dynamics, Corporate Governance, and Family Business Performance

Author(s) and Year	Methodology	Objective(s) of the Study	Main Finding(s)
Salameh (2017)	Qualitative case analysis	To investigate the factors that affect the family-owned business succession process.	The results also indicate that family businesses regard family business continuity, maintaining family unity, protecting the family name in the market, and protecting the family heritage and wealth as the most important benefits of succession planning
Abdelaziz (2021)	Conceptual analysis	To provide a statistical model to forecast revenue trends and assess sustainability in family businesses.	Good governance is crucial for the sustainability, stability, productivity, and profitability of family businesses by ensuring all stakeholders are included in decision-making processes
Jaradat (2024)	Survey	To search the reality of the governance of family businesses in Palestine, with a focus on industrial companies in the Hebron Governorate	The reality of family businesses' governance regarding the rights and obligations of owners was the highest perception among participants.
Khoury et al. (2024)	Qualitative study	To explore the link between trans-generational succession and socio-emotional	Results reveal that having an 'opportunistic entrepreneurship' style is a driving force in exploiting the macro

		wealth (SEW) from an institutional perspective	environmental challenges that exist where family firms operate
Gómez-Mejía et al. (2007)	Empirical analysis	This paper challenges the prevalent notion that family-owned firms are more risk-averse than publicly owned firms	Family firms can be both risk-willing and risk-averse at the same time, challenging the notion that they are more risk-averse than publicly owned firms
Miller & Le Breton-Miller (2006)	Literature Review	To provide insights into the drivers of success in family businesses, contributing to a better understanding of their competitive advantages and challenges in the marketplace	The results suggest that the governance choices made by family businesses play a crucial role in determining their financial performance.
Eddleston & Kellermans (2007)	Quantitative survey	Explores when strategic planning and succession planning are most conducive to privately held family firm growth.	-Succession planning is most conducive to growth in first-generation family firms. -Succession planning benefits reemerge in third-and-beyond-generation firms, but strategic planning is negatively associated with growth.
Zellweger et al. (2012)	Conceptual framework	Observe that the study of social structures and social relationships constitutes a common theme among the articles and commentaries contained within this special issue on Theories of Family Enterprise.	Social relationships enhance a family firm's governance capacity and access to resources, influencing financial and non-financial goal pursuit.
Umans et al. (2020)	Empirical research	This study builds on implementation intention theory to indicate that both business and family governance practices influence the succession planning process in family firms	-Board involvement in the succession process mediates the positive relationship between family governance practices and the level of succession planning. -The CEO's inability to let go negatively moderates this mediating relationship, indicating that emotions influence governance outcomes
Nasr et al. (2025)	Survey	Investigates the impact of various leadership styles on the professionalization and subsequent performance of family businesses	Professionalization mediates the relationship between leadership style and performance. Moreover, our findings show that the participative leadership style is the most effective option for family businesses seeking to achieve professionalization and improve performance

Zapata-Cantu et al. (2023)	Mixed methods	To evaluate tech adoption in family firms and to provoke discussion on what we know about family businesses and how they face different challenges in a complex world to survive	-Family businesses have demonstrated flexibility and adaptability during the pandemic, solving complex problems faster than non-family businesses. -Family values play a significant role in management, influencing professionalization, succession, and innovation processes.
Li (2022)	Qualitative interviews	Examines the most effective innovation mode and boundary conditions for the innovation performance of developing companies	-A higher level of DUI innovation is more relevant to the innovation performance of newly established enterprises. -The effectiveness of STI and DUI innovation modes is enhanced by high levels of innovation and business network interconnectedness from technology network partners.
Eklof et al. (2017)	Quantitative modeling	Measuring perception vs. financial metrics	-The study found a strong positive relationship between customer satisfaction (measured by EPSI) and financial performance (measured by market capitalization) for major banks. -Monitoring customer satisfaction is an effective strategy for enhancing financial performance, particularly at the branch level.
Brigham & Payne (2019)	Literature Review	The paper raises concerns about the construct validity of the socioemotional wealth (SEW) concept in family business research.	-The study evaluates, refines, and validates the FIBER scale as a psychometric instrument to measure socioemotional wealth (SEW) in family firms. -SEW is identified as a superordinate multidimensional construct that captures socioemotional utilities in family firms. - SEW has an impact on financial performance in family firms.
Sultan et al. (2024)	Cross-sectional quantitative	To examine how entrepreneurial orientation and succession planning among Palestinian family businesses positively affect their associated growth potential, considering the mediating	-Entrepreneurial orientation has a statistically significant positive effect on the growth of Palestinian family businesses. -Innovation mediates the relationship between entrepreneurial orientation and growth, and business location moderates this relationship.

			role of innovation and the moderating effect of geographic location.
Sorenson & Milbrandt (2023)	Exploratory research	To understand the nature and source of owning family social capital	-Family faith practices sustain family faith beliefs. -Family faith beliefs sustain family values. -Family values strengthen business family social capital, which is positively related to family leader succession, business performance, and community outreach.
Chehimi (2024)	Mixed methods	Investigations were to develop and verify an effective management succession model for micro-small and medium family-owned enterprises in Lebanon	-Succession challenges limit firm growth -The challenges that family businesses faced in Lebanon had a significant impact on the The success and continuity of these businesses were many
Aye et al. (2016)	Thematic analysis	To study family conflict	-The result indicated that infertility, financial difficulties, poor communication between family members, and lack of sexual satisfaction/gratification can lead to conflict in the family. -Family conflicts affect people for the course of their lives and prevent them from experiencing their full potential
Berns & Klarner (2017)	Literature review	To evaluate CEO succession models	find that empirical research has frequently adopted an event-based perspective on CEO succession, which is contrary to the practical evidence regarding CEO succession as a continuous process.
Jensen & Meckling (2019)	Auditing & Formal control systems	to develop a theory of the ownership structure of the firm.	There were alternative organizational forms available, and opportunities to invent new ones. Whatever its shortcomings, the corporation has thus far survived the market test against potential alternatives.

## **Chapter Three: Methodology**

### **3.1 Introduction**

This chapter outlines the methodology used to examine the relationship between family dynamics and business performance in Palestinian industrial family businesses, considering the moderating role of corporate governance. It describes the research design, approach, data collection methods, sampling procedures, and statistical tools applied. A quantitative, cross-sectional design was adopted using a structured questionnaire to gather data from family-owned firms. The study ensures the reliability and validity of the instrument and employs regression and moderation analysis to test the hypotheses. This chapter provides a clear roadmap for how empirical evidence was collected and analyzed to address the study's objectives.

### **3.2 Research Design**

The research employs a quantitative and cross-sectional design, aligning with the study's aim to investigate the influence of family dynamics on business performance in Palestinian industrial family firms and the moderating role of corporate governance. This design facilitates empirical testing of defined hypotheses and enables the statistical evaluation of relationships between variables at a single point in time.

Family dynamics serve as the independent variable, capturing socio-emotional and relational influences within the firm. Corporate governance functions as a moderating variable, representing formal structures and mechanisms that may strengthen or weaken the link between family dynamics and business performance. Business performance is the dependent variable, measured through financial and strategic indicators such as profitability, growth, innovation, brand image, and customer loyalty.

A quantitative approach was chosen to ensure objectivity, replicability, and the ability to analyze large volumes of data, allowing for broader generalization across Palestinian industrial family firms (Ghanad, 2023; Myers et al., 2013). The cross-sectional strategy enables efficient data collection from multiple organizations simultaneously, making it both practical and cost-effective within the fragile and volatile Palestinian context (Jesson, 2001; Setia, 2016).

### 3.3 Study Population and Context

According to the Palestinian Central Bureau of Statistics (PCBS, 2020), the private sector constitutes the majority of operating establishments in Palestine by ownership and region as of 2017, totaling 114,745 establishments. In the West Bank alone, there are 94,619 firms, as shown in Table 3.1. The total number of employed persons in the Palestinian labor market is 424,904, with 290,666 of them located in the West Bank, as illustrated in Table 3.2. Additionally, establishments employing 20 people or more account for only 1.4% of the total, as depicted in Figure 3.1.

Table (3.1) Number of Operating Establishments in Palestine by Establishment Ownership and Region, 2017

Region	Not Stated	International Organization	UNRWA	Foreign Gov.	Local Auth.	Central Gov.	NGOs	Private National
Palestine	75	193	529	90	1173	7429	3688	<b>140745</b>
West Bank	68	110	199	66	921	5473	2364	<b>94619</b>
Gaza Strip	7	83	330	24	252	1956	1324	46126

Table (3.2) Distribution of Employed Individuals in Private Sector and Non-Governmental Organization Sector Establishments in Palestine by Sex and Region, 2017

Region	Female	Male	Total
Palestine	82133	342771	<b>424904</b>
West Bank	62515	228151	<b>290666</b>
Gaza Strip	19618	114620	134238

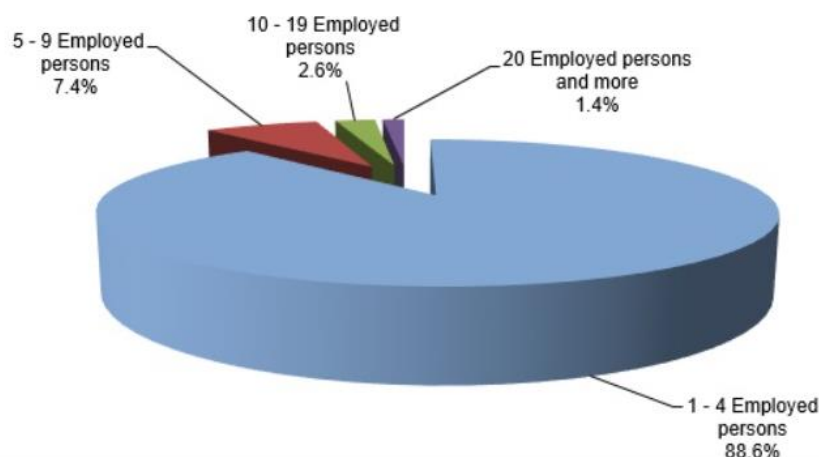


Figure (3.1) Percentage Distribution of Operating Establishments in the Private Sector, Non-Governmental Organization Sector in Palestine by Employment Size Groups, 2017

The industrial sector is a significant contributor to the Palestinian economy, accounting for approximately 12% of the GDP and employing over 116,000 individuals, with 81% being wage employees. In 2021, industrial production reached nearly USD 5 billion, marking an 11.9% increase compared to the previous year (PCBS, 2022).

The study population consists of family-owned industrial establishments operating within the West Bank, as identified through the 2019 Industrial Survey conducted by the Palestinian Central Bureau of Statistics (PCBS, 2019), in cooperation with the Ministry of National Economy and the Palestinian Federation of Industries. This survey employed a stratified sampling methodology, ensuring comprehensive and representative coverage of industrial enterprises across the region. This national survey employs a stratified sampling design and provides detailed, reliable data on registered

industrial establishments across Palestine, including their economic activities based on International Standard Industrial Classification (ISIC) code, representing each type of economic activity, employment size, and geographic distribution within the industrial sector.

The selected establishments represent a broad range of industrial activities, including manufacturing sectors such as food processing, textiles, furniture production, metal works, and construction materials. The total industrial enterprise in Palestine is 3,742 overall and 2,993 in the West Bank, as shown in Table 3.3. These industries form a crucial part of the Palestinian economy and are primarily concentrated in key industrial hubs. In terms of geographic distribution, approximately 26.5% of the identified family-owned industrial establishments are in the Hebron governorate, reflecting their status as the largest and most active industrial center in the West Bank. Nablus accounts for around 21.1% of these businesses, highlighting their important roles in regional industrial development as both form 47.6% of the industrial enterprises in Palestine (PCBS, 2019).

Table (3.3) Number of Operating Industrial Enterprises in Palestine by Governorate and Operational Status, 2019

Governorate	المجموع Total	Operational Status		المحافظة
		عاملة بشكل متقطع Operating Intermittently	عاملة بانتظام Operating Regularly	
<b>Palestine</b>	<b>3,742</b>	<b>234</b>	<b>3,508</b>	للمسطين
<b>West Bank</b>	<b>2,993</b>	<b>206</b>	<b>2,787</b>	لضفة الغربية
Jenin	299	14	285	جنين
Tubas & Northern Valleys	37	2	35	طوباس والأغوار الشمالية
Tulkarm	171	18	153	طولكرم
Nablus	632	14	618	نابلس
Qalqiliya	111	25	86	قلقيلية
Salfit	117	28	89	سلفيت
Ramallah & Al-Bireh	340	1	339	رام الله والبيرة
Jericho & Al-Aghwar	29	0	29	ريحا والأغوار
Jerusalem	122	3	119	لقدس
Bethlehem	342	56	286	بيت لحم
Hebron	793	45	748	لخليل
<b>Gaza Strip</b>	<b>749</b>	<b>28</b>	<b>721</b>	نطاق غزة
North Gaza	130	17	113	شمال غزة
Gaza	329	10	319	غزة
Dier Al-Balah	96	1	95	دير البلح
Khan Yunis	121	0	121	خان يونس
Rafah	73	0	73	رفح

Specifically, this study narrows its focus to a subset of 440 family-owned industrial establishments located in the West Bank that employ 20 or more workers. This subpopulation was selected to ensure that the analysis targets businesses of a sufficient scale to demonstrate formal governance structures, distinguishable family ownership dynamics, and measurable business performance outcomes. Larger establishments are also more likely to engage in strategic decision-making processes, face complex organizational challenges, and implement corporate governance mechanisms, making them ideal subjects for examining the interplay between family influence and institutional frameworks.

### 3.4 Study Sample

This cross-sectional, quantitative study of the industrial sector in the West Bank of Palestine encompassed all employees in the Palestinian industrial activity to provide a general view at different organizational levels. The research utilized a stratified random sampling method in the selection of a sufficient sample from the population. The application of this method was preferred because it can cater to the variability of the industrial sector and ensure randomness at every stratum (Shao et al., 2021).

A stratified random sampling design was used to select the sample that captured the variability across organizational levels. Stratification was performed across two primary dimensions: enterprise location by the number of people employed and industrial activity, allowing the study to encompass the variability inherent in the industry sector while maintaining randomness within each subgroup.

Industrial family business employees' minimum sample size of 382 was computed considering a marginal error of 5%, a confidence level of 95%, and an approximate response distribution of roughly 50% of the entire working population of 47,261 in the West Bank Palestinian family firms. It was computed utilizing the following formula utilizing the Raosoft® Application:

$$x = Z(c/100)^2 r(100 - r), \quad n = \frac{N \cdot x}{(N - 1)E^2 + x}, \quad E = \sqrt{\frac{(N - n)x}{n(N - 1)}}$$

**Where:**

- n: sample size.
- N: population size.
- Z: Z-value (1.96 for 95% confidence level).
- r: estimated proportion of the population.
- E: margin of error (alpha, 0.05).

### 3.5 Sampling Strategy and Sample Size Determination

The sampling design was carefully developed to represent proportionally the distribution of employed people in industrial family businesses in the West Bank governorates. The estimated sample size for each governorate was determined according to its percentage of the total number of employed people. The data was extracted from the industrial survey by PCBS (2019). As mentioned in Table 3.4, which illustrates the distribution of employed people according to the governorate of Palestine, and as targeted, the West Bank governorate is included in the sample method.

Table (3.4) Number of Operating Industrial Enterprises in Palestine by Governorate and Operational Status, 2019

Governorate	المجموع Total		work nature										طبيعة العمل				المحافظة
			عمال مؤقتين		عمال خدمات		عمال غير مهرة		عمال مهرة		تقني (حملة دبلوم)		مهندسون		داريون		
	Seasonal Workers		Service Workers		Unskilled Workers		Skilled Workers		Technicians (Diploma)		Engineers		Administrators				
	اناث	ذكور	اناث	ذكور	اناث	ذكور	اناث	ذكور	اناث	ذكور	اناث	ذكور	اناث	ذكور	اناث	ذكور	
Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males		
Palestine	6636	51,140	276	1,928	86	3,948	1,320	11,478	3,260	21,706	112	1,256	254	1,313	1,328	9,511	
West Bank	6221	40,480	252	1,251	83	3,185	1,267	9,641	3,133	16,853	89	952	162	864	1,235	7,734	
Jenin	569	2,973	2	48	1	321	62	581	449	1,449	0	20	4	27	51	527	
Tubas & Northern Valleys	42	348	0	0	1	33	1	82	26	105	0	39	3	10	11	79	
Tulkarm	863	2,125	29	60	12	176	187	599	522	824	2	31	10	55	101	380	
Nablus	1,034	7,497	59	342	10	534	199	1,340	473	3,391	6	182	55	128	232	1,580	
Qalqiliya	287	957	1	12	9	44	52	194	194	483	0	4	1	24	30	196	
Salfit	319	1,501	12	72	3	81	129	541	95	515	0	7	11	32	69	253	
Ramallah & Al-Bireh	598	4,864	18	107	25	308	52	1,047	258	1,950	37	345	27	175	181	932	
Jericho & Al-Aghwar	255	716	101	136	4	84	72	141	34	173	0	17	6	38	38	127	
Jerusalem	236	1,593	2	84	5	232	49	170	104	696	1	56	2	33	73	322	
Bethlehem	401	4,734	5	157	3	254	34	820	216	2,467	5	51	7	64	131	921	
Hebron	1,617	13,172	23	233	10	1,118	430	4,126	762	4,800	38	200	36	278	318	2,417	
Gaza Strip	415	10,660	24	677	3	763	53	1,837	127	4,853	23	304	92	449	93	1,777	
North Gaza	42	1,564	5	114	0	80	2	302	16	738	1	54	4	25	14	251	
Gaza	296	6,102	2	371	2	380	43	1,059	77	2,803	22	178	86	344	64	967	
Dier Al-Balah	22	1,366	1	62	1	204	0	309	9	394	0	62	2	71	9	264	
Khan Yunis	6	1,043	0	114	0	45	0	157	4	541	0	3	0	3	2	180	
Rafah	49	585	16	16	0	54	8	10	21	377	0	7	0	6	4	115	

Table 3.5 indicates the number and percentage of employed individuals and the sample allocation by governorate in the West Bank. Hebron registered the highest percentage at 32.5% industrial sector employment, followed by Nablus at 18.1%, which are the two largest industrial cities in the West Bank. Significant shares also originated from Ramallah & Al-Bireh with 11.6%, and Bethlehem with 10.9%. Governorates in Tulkarm, Jenin, and Jerusalem had relatively low employment rates, while the lowest

record was 0.8% in Tubas and the Northern Valleys. The Geographical distribution of the governorates shows a high spread of employment both in the south and central areas.

Table (3.5) Number and Percent of Employed Persons and Sample Allocation by Governorate in the West Bank

<b>Governorate</b>	<b>Females</b>	<b>Males</b>	<b>Total</b>	<b>% of Employed Persons</b>
Jenin	569	2973	3542	7.5%
Tubas & Northern Valleys	42	348	390	0.8%
Tulkarm	863	2125	2988	6.3%
Nablus	1034	7497	8531	18.1%
Qalqiliya	287	957	1244	2.6%
Salfit	319	1501	1820	3.9%
Ramallah & Al-Bireh	598	4864	5462	11.6%
Jericho & Al-Aghwar	255	716	971	2.1%
Jerusalem	236	1593	1829	3.9%
Bethlehem	401	4734	5135	10.9%
Hebron	1617	13732	15349	32.5%

Table 3.6 presents the approximate sample size in every governorate within the West Bank, as computed based on employed people working in the industrial sector within a sample of 382 workers. Hebron recorded the highest sample (124), indicating its premier status in employment in the industrial sector. Nablus (69), resulting from its dense population of family-owned industrial businesses. The remaining governorates, such as Ramallah & Al-Bireh (44) and Bethlehem (42), provided valuable samples, although places such as Tubas & Northern Valleys had very little representation (3), as would be expected for their lower proportion of industrial employment.

Table (3.6) Number of Employed Persons and Sample Allocation based on total sample size by Governorate in the West Bank

<b>Governorate</b>	<b>Total</b>	<b>% of Employed Persons</b>	<b>Sample size</b>
Jenin	3542	7.5%	29
Tubas & Northern Valleys	390	0.8%	3
Tulkarm	2988	6.3%	24
Nablus	8531	18.1%	69
Qalqiliya	1244	2.6%	10
Salfit	1820	3.9%	15
Ramallah & Al-Bireh	5462	11.6%	44
Jericho & Al-Aghwar	971	2.1%	8
Jerusalem	1829	3.9%	15
Bethlehem	5135	10.9%	42
Hebron	15349	32.5%	124
<b>Total</b>	<b>47261</b>	<b>100.0%</b>	<b>382</b>

The second facet of the stratified sample technique examined the distribution of employed workers across industrial sectors to guarantee representation of the industrial family enterprises in the West Bank. This method improves the dependability and pertinence of the results by accurately representing the employment structure within the industrial sector. Table 3.7, derived from the 2019 Industrial Survey conducted by PCBS (2019), illustrates the number of employed individuals throughout several ISIC-coded industrial sectors. The most significant employment concentrations are in the manufacture of another non-metallic mineral, food product manufacturing, fabricated metal product manufacturing, and furniture production, facilitating proportional sample distribution across these essential sectors.

Table (3.7) Number of Operating Industrial Enterprises and Number of Employed Persons by Main Economic Activity and Region, 2019

ISIC	Economic Activity	قطاع غزة				West Bank				الضفة الغربية				Palestine				النشاط الاقتصادي	رمز النشاط
		No. of Employed Persons		عدد العاملين	عدد المؤسسات	No. of Employed Persons		عدد العاملين	عدد المؤسسات	No. of Employed Persons		عدد العاملين	عدد المؤسسات	No. of Employed Persons		عدد العاملين	عدد المؤسسات		
		اناث	ذكور			اناث	ذكور			اناث	ذكور			اناث	ذكور				
		Females	Males	Both Sexes	No. of Enterp.	Females	Males	Both Sexes	No. of Enterp.	Females	Males	Both Sexes	No. of Enterp.	Females	Males	Both Sexes	No. of Enterp.		
B	Mining and quarrying	0	15	15	3	15	1,891	1,906	146	15	1,906	1,921	149	التعدين واستغلال المحاجر	ب4				
08	Other mining and quarrying activities	0	15	15	3	15	1,891	1,906	146	15	1,906	1,921	149	الانشطة الأخرى للتعدين واستغلال المحاجر	08				
C	Manufacturing	274	9,496	9,770	726	6,042	36,965	43,007	2,823	6,316	46,461	52,777	3,549	الصناعات التحويلية	44				
10	Manufacture of food products	67	2,206	2,273	128	2,094	8,062	10,156	566	2,161	10,268	12,429	694	صناعة المنتجات الغذائية	10				
11	Manufacture of beverages	1	118	119	5	37	550	587	37	38	668	706	42	صناعة المشروبات	11				
12	Manufacture of tobacco products	0		0	0	9	170	179	12	9	170	179	12	صناعة منتجات التبغ	12				
13	Manufacture of textiles	1	84	85	7	183	1,201	1,384	39	184	1,285	1,469	46	صناعة المنسوجات	13				
14	Manufacture of wearing apparel	153	1,613	1,766	60	2,270	1,778	4,048	306	2,423	3,391	5,814	366	صناعة الملابس	14				
15	Manufacture of leather and related products	1	43	44	3	17	1,287	1,304	103	18	1,330	1,348	106	صناعة الجلد والمنتجات ذات الصلة	15				
16	Manufacture of wood and products of wood and cork, except furniture and Manufacture of articles of straw and plaiting materials	9	241	250	26	35	659	694	65	44	900	944	91	صناعة الخشب ومنتجات الخشب والفلين عدا صناعة الأثاث، صناعة الأصناف المنتجة من القش ومواد الصنوبر	16				
17	Manufacture of paper and paper products	0	36	36	4	131	1,186	1,317	58	131	1,222	1,353	62	صناعة الورق ومنتجات الورق	17				
18	Printing and reproduction of recorded media	14	324	338	25	56	480	536	43	70	804	874	68	الطباعة والنشر وسائط الأعلام المسجلة	18				
19	Manufacture of coke and refined petroleum products	0		0	0	2	83	85	4	2	83	85	4	صناعة فحم الكوك والمنتجات النفطية المكررة	19				
20	Manufacture of chemicals and chemical products	3	140	143	8	142	598	740	50	145	738	883	58	صناعة الكيماويات والمنتجات الكيماوية	20				
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0	0	0	298	912	1,210	13	298	912	1,210	13	صناعة المنتجات الصيدلانية الأساسية ومستحضراتها	21				
22	Manufacture of rubber and plastics products	1	335	336	23	273	2,228	2,501	102	274	2,563	2,837	125	صناعة منتجات المطاط واللدائن	22				
23	Manufacture of other non-metallic mineral products	7	2,159	2,166	223	134	9,072	9,206	728	141	11,231	11,372	951	صناعة منتجات المعادن اللافلزية الأخرى	23				
24	Manufacture of basic metals	0	5	5	1	1	145	146	11	1	150	151	12	صناعة الفلزات الأساسية (صناعة المنتجات المعدنية الأساسية)	24				
25	Manufacture of fabricated metal products, except for machinery and equipment	7	645	652	74	102	3,225	3,327	222	109	3,870	3,979	296	صناعة منتجات المعادن المشكلة عدا الماكينات والمعدات	25				
26	Manufacture of computer, electronic and optical products	0		0	0	2	68	70	7	2	68	70	7	صناعة الحواسيب والمنتجات الإلكترونية والبصرية	26				
27	Manufacture of electrical equipment	0	64	64	9	27	313	340	16	27	377	404	25	صناعة المعدات الكهربائية	27				
28	Manufacture of machinery and equipment n.e.c.	1	66	67	6	8	425	433	18	9	491	500	24	صناعة الآلات والمعدات غير المصنفة في موضع آخر	28				
29	Manufacture of motor vehicles, trailers and semi-trailers	0	57	57	4	3	10	13	1	3	67	70	5	صناعة المركبات ذات المحركات والمركبات المنطوقة ونصف المنطوقة	29				
31	Manufacture of furniture	5	1,190	1,195	103	129	4,125	4,254	369	134	5,315	5,449	472	صناعة الأثاث	31				
32	Other manufacturing	4	94	98	7	85	266	351	34	89	360	449	41	صناعات تحويلية أخرى	32				
33	Repair and installation of machinery and equipment	0	76	76	10	4	122	126	19	4	198	202	29	إصلاح وتركيب الآلات والمعدات	33				
D	Electricity, gas, steam and air conditioning supplies	141	1,031	1,172	4	143	1,195	1,338	7	284	2,226	2,510	11	إمدادات الكهرباء والغاز والبخار وتكييف الهواء	د4				
35	Electricity, gas, steam and air conditioning supplies	141	1,031	1,172	4	143	1,195	1,338	7	284	2,226	2,510	11	إمدادات الكهرباء والغاز والبخار وتكييف الهواء	35				
E	Water supply, sewerage, waste management and remediation activities	0	118	118	16	21	429	450	17	21	547	568	33	إمدادات المياه والنشطة الصرف الصحي وإدارة النفايات ومعالجتها	ه4				
36	Water collection, treatment and supplies	0	95	95	13	18	334	352	6	18	429	447	19	تجميع و معالجة وتنقية وتوزيع المياه	36				
37	Sewerage	0	0	0	0	0	8	8	1	0	8	8	1	الصرف الصحي	37				
38	Waste collection, treatment and disposal activities; materials recovery	0	23	23	3	3	77	80	9	3	100	103	12	النشطة جمع النفايات ومعالجتها وتصريفها وإسترجاع المواد	38				
39	Remediation activities and other waste management services	0	0	0	0	0	10	10	1	0	10	10	1	أنشطة المعالجة وخدمات إدارة النفايات الأخرى	39				
	<b>Total</b>	<b>415</b>	<b>10,660</b>	<b>11,075</b>	<b>749</b>	<b>6,221</b>	<b>40,480</b>	<b>46,701</b>	<b>2,993</b>	<b>6,636</b>	<b>51,140</b>	<b>57,776</b>	<b>3,742</b>	<b>المجموع</b>					

Sample allocation was calculated based on the proportion of employed individuals in each industrial activity out of the total employed population in the industrial sector. From the total sample size of 382 employed people, each activity was assigned a number of respondents that corresponds to its percentage share of total employment. For instance,

the manufacture of food products, being the largest industrial activity, accounted for 21.5% of total employment and thus received the largest sample share.

Table 3.8 presents the number of industrial enterprises by activity and the corresponding stratified sample size, based on a total target sample of 382. The Manufacture of other non-metallic minerals, being the largest industrial activity, accounted for 24.32% of total industrial activity in the West Bank and thus received the largest sample allocation. This was followed by the manufacture of food products with 18.91%, and the Manufacture of furniture with 12.33%, reflecting their significance in the West Bank's industrial economy (PCBS, 2019). This method ensures that each industrial activity is proportionally represented in the sample, reflecting the sector's employment structure and enabling more accurate and generalizable insights.

Table (3.8) Number of Enterprises, % of Enterprises, and Sample Size (out of 382) for each industrial activity in the West Bank

<b>Economic Activity</b>	<b>No. of Enterp.</b>	<b>% of Enterp.</b>	<b>Sample Size (out of 382)</b>
<b>Mining and quarrying</b>	<b>146</b>	<b>4.88%</b>	<b>19</b>
<b>Manufacturing</b>	<b>2823</b>	<b>94.32%</b>	<b>360</b>
Manufacture of food products	566	18.91%	72
Manufacture of beverages	37	1.24%	5
Manufacture of tobacco products	12	0.40%	2
Manufacture of textiles	39	1.30%	5
Manufacture of wearing apparel	306	10.22%	39
Manufacture of leather and related products	103	3.44%	13
Manufacture of wood and products of wood and cork	65	2.17%	8
Manufacture of paper and paper products	58	1.94%	7
Printing and reproduction of recorded media	43	1.44%	5
Manufacture of coke and refined petroleum products	4	0.13%	1
Manufacture of chemicals and chemical products	50	1.67%	6
Manufacture of basic pharmaceutical products	13	0.43%	2
Manufacture of rubber and plastics products	102	3.41%	13

Manufacture of other non-metallic mineral products	728	24.32%	93
Manufacture of basic metals	11	0.37%	1
Manufacture of fabricated metal products	222	7.42%	28
Manufacture of computer, electronic, and optical products	7	0.23%	1
Manufacture of electrical equipment	16	0.53%	2
Manufacture of machinery and equipment n.e.c.	18	0.60%	2
Manufacture of motor vehicles	1	0.03%	0
Manufacture of furniture	369	12.33%	47
Other manufacturing	34	1.14%	4
Repair and installation of machinery and equipment	19	0.63%	2
<b>Electricity, gas, steam, and air conditioning</b>	<b>7</b>	<b>0.23%</b>	<b>1</b>
<b>Water supply, sewerage, waste management</b>	<b>17</b>	<b>0.57%</b>	<b>2</b>
Water collection, treatment, and supply	6	0.20%	1
Sewerage	1	0.03%	0
Waste collection, treatment, and disposal	9	0.30%	1
Remediation activities	1	0.03%	0
<b>Total</b>	<b>2993</b>		<b>382</b>

### 3.6 Study Instruments

A structural digital survey questionnaire was planned for conducting this study. The questionnaire was first constructed in English with the help of proven scales from prior research that were relevant to the study. An expert panel reviewed the instrument to determine content validity. Following their suggestions, changes that were needed were incorporated to strengthen clarity and relevance. The respondents of the chosen organizations approached with an electronic questionnaire through WhatsApp or email. The duration of data collection prolonged from the last day of May 2025 to the last day of June 2025.

Since the most used language in Palestine is Arabic, the questionnaire was subsequently translated into Arabic using the back-translation method to ensure semantic comparability. The text was initially translated from English to Arabic by a bilingual

expert, followed by a translation of the text from Arabic to English by another bilingual expert.

The resulting questionnaire was sectioned, including demographic and other items on a 5-point Likert scale to measure the underlying constructs. The careful translation and development process ensured the instrument was linguistically and culturally equivalent to the targeted industrial family business community of the West Bank of Palestine.

### **3.7 Data Collection**

The instrument of data gathering for this quantitative cross-sectional study aimed to capture a snapshot of the industrial family business in the West Bank of Palestine at a specific moment in time. A close-ended questionnaire was the primary data gathering tool that was distributed to a stratified random sample of industrial family businesses, estimated employed workers, and industrial firms based on Governorate location in the West Bank of Palestine.

An online survey shared through email and WhatsApp. The Arabic questionnaire consisted mainly of closed-ended questions with Likert scales to quantify the constructs. Demographic details were gathered to enable exclusive analyses of subgroups. Data collection was restricted to eight weeks to maintain the cross-sectional design of the study, so that all the responses would be reflective of the same time frame.

The data gathering was conducted in parallel in many geographical locations and industrial sectors to account for potential confounding variables. The strategy enabled a comprehensive, quantitative investigation of the industrial family businesses field, encompassing variations at various organizational levels and business attributes without compromising the integrity of the cross-sectional design.

### **3.8 Study Variables and Measures**

The research utilizes survey data gathered from Palestinian industrial family businesses in different West Bank of Palestine. The questionnaire consists of three parts that are aimed at gathering certain information about the participants:

3.8.1 Section One: provide clear instructions about the research and researcher, and how the participants progress through the questionnaire.

3.8.2 Section Two: The second section of the systematic questionnaire presents respondents' and companies' profiles to give socio-demographic information. Respondents' profiles include:

- Age of respondents,
- Gender: Male or Female,
- Educational level: nothing, high school, diploma degree, bachelor's degree, master's or higher degree.
- Service Provider Sector: Mining and quarrying, Manufacturing, Electricity, gas, steam and air conditioning, and Water supply, sewerage.
- Institution Location: Jenin, Tubas & Northern Valleys, Tulkarm, Nablus, Qalqiliya, Salfit, Ramallah & Al-Bireh, Jericho & Al-Aghwar, Jerusalem, Bethlehem, and Hebron.
- Institution Operation: less than 2 years, from 3 to 6 years, from 7 to 10 years, and more than 10 years.
- Institution Size: Medium (from 20 to 49 employees) and Large (more than 50 employees).

3.8.3 Section Three: Seventy-seven indicators employed across nine dimensions to assess the research variables, as illustrated in Table 3.9. In this portion, the researcher constructed a complete questionnaire consisting of three unique

components, each based on existing studies to guarantee content validity and reliability. This comprehensive methodology facilitates a thorough analysis of the interconnections among Family Dynamics, Corporate Governance, and Business Performance in Palestinian industrial family businesses.

- **Family Dynamics:** The initial segment utilizes twenty-seven indications for assessing Family Dynamics, derived from several literature. The first dimension, Family Control and Influence, consists of six items adapted from Lee and Rogoff (1996) and Klein et al. (2005). The second dimension, the Identification of Family Members with the Firm, includes six items derived from the works of O'Reilly and Chatman (1986), Allen and Meyer (1990), Carlock and Ward (2001), and Klein et al. (2005). The third dimension, Binding Social Ties, is measured using five items based on studies by Miller and Le Breton-Miller (2005), Miller et al. (2009), and Cruz et al. (2010). The fourth dimension, Emotional Attachment, also includes six items and assesses affective commitment and emotional investment, drawing from O'Reilly and Chatman (1986), Allen and Meyer (1990), and Eddleston and Kellermanns (2007). Finally, the Renewal of Family Bonds Through Dynastic Succession consists of four items derived from Lee and Rogoff (1996) and Zellweger et al. (2012).
- **Corporate Governance:** evaluated using thirty-eight indicators categorized into three dimensions. The first, Board Structure and Function, includes 24 items; the second dimension, Anti-Takeover Provisions, consists of six items measuring the firm's protective mechanisms against external threats. The third dimension, Compensation and Ownership, includes eight items that reflect family ownership patterns, executive compensation strategies, and the use of financial incentives. These metrics were employed and validated by Zagorchev and Gao (2015).

- **Business Performance:** evaluated using twelve metrics. These metrics were employed and corroborated by Garg et al. (2004). The metrics evaluate both financial and performance from a managerial perspective.

Table (3.9): Items for Measuring Constructs

Construct	Dimensions	Indicators	Previous studies
<b>Family Dynamics</b>	Family Control and Influence	6	Lee and Rogoff (1996), Klein, Astrachan, and Smyrnios (2005)
	Identification of Family Members with the Firm	6	O'Reilly and Chatman (1986), Allen and Meyer (1990), Carlock and Ward (2001), Klein et al. (2005)
	Binding Social Ties	5	Miller and Le Breton-Miller (2005), Miller, Jangwoo, Sooduck, and Le Breton-Miller (2009), Cruz et al. (2010)
	Emotional Attachment of Family Members	6	O'Reilly and Chatman (1986), Allen and Meyer (1990), Carlock and Ward (2001), Eddleston and Kellermans (2007)
	Renewal of Family Bonds Through Dynastic Succession	4	Lee and Rogoff (1996), Zellweger, Kellermans, Chrisman, and Chua (2011)
<b>Governance</b>	Board	24	Aggarwal, R., Erel, I., Ferreira, M., & Matos, P. (2011)
	Anti-takeover provisions	6	
	Compensation and ownership	8	
<b>Business Performance</b>		12	Garg, A. K., Joubert, R. J. O., & Pellissier, R. (2004)

### 3.9 Instrument Validity and Reliability

Reliability is a synonym for stability and consistency of measurement over time, such that the instrument reliably measures the variables for which it is designed to measure (Meyer, 2010). Reliability in this research assessed using Cronbach's alpha, which is a standard statistical estimator of item or score internal consistency of a

questionnaire. Cronbach's alpha estimates the proportion of positive covariance among items of a single construct (Cronbach, 1951).

Cronbach's Alpha Coefficient: The dependability scale measurement usually varies from 0 to 1. A Cronbach's alpha of at least 0.70 is sufficient to capture sufficient internal consistency (Nunally & Bernstein, 1994). This suggests that the items for the same construct for the family dynamics, corporate governance, and business performance are assessing the same fundamental notion. An alpha coefficient below 0.70 indicates insufficient correlation between the items of the scale, which necessitates potential changes to the questionnaire items. A Cronbach's alpha of 0.90 and above indicates excellent reliability, meaning that the items are highly interrelated and have high internal consistency, which is advantageous for highly specified and focused constructs (Sharma, 2016).

Each of the main variables under investigation in the study (family dynamics, corporate governance, and business performance) have its alpha coefficient computed to establish the reliability of the scales. If the results show low reliability, there is an appropriate probe into individual items, with the removal or rewriting of those that perform badly. This will guarantee that the questionnaire produces reliable and good data for future analysis.

Validity, as defined by Cook and Beckman (2006), is the extent to which a measure assesses its intended construct correctly. The content validity of the questionnaire was evaluated by the researcher through interviews with four experts. These were two strategic management experts and two academic experts in research techniques, one of whom was a statistician. The experts commented on the format, content, and clarity of understanding of the questionnaire items. Their recommendations were thoroughly incorporated to refine the instrument, accurately measuring the intended variables in

various areas, including family dynamics, corporate governance, and business performance in Palestinian industrial family businesses.

Convergent Validity and Discriminant Validity assess the construct validity of the questionnaire. Convergent validity assessed with the Average Variance Extracted (AVE). The Fornell-Larcker criterion and Heterotrait-Monotrait (HTMT) ratio is used to test discriminant validity.

### **3.10 Ethical Consideration**

Maintaining the ethical integrity of this research was of utmost importance. The study followed the ethical standards established by the Arab American University Palestine (AAUP) to ensure that all processes undertaken followed established research practices. Ethical clearance shall be sought from the university ethics committee before data collection to guarantee ethical compliance.

The questionnaire began with a detailed information sheet explaining the purpose of the study, its aim and objectives, and its significance. The same shall be given to everyone participating in assisting them in making an informed decision regarding playing the role of a participant. The information page informed them that volunteering was not mandatory, and participants still retained their right to withdraw from the study at any moment without adverse consequence.

For ensuring the privacy and confidentiality of participants, no personal information that could be identified, e.g., names or personal information, was gathered. Participants were assured that their responses would be kept confidential and that access to the data by third parties would not be provided. All the data gathered saved securely on a password-protected computer, and it accessible only by the researcher and his supervisor.

The study also followed the principle of non-maleficence, wherein no physical, emotional, or professional damage was caused to the participants. The questionnaire was meticulously drafted so as not to include any sensitive or intrusive questions that bring about discomfort. The questions were only on the pertinent variables, i.e., family dynamics, corporate governance, and business performance.

### **3.11 Data Analysis**

Analysis of data for the study conducted in accordance with a list of quantitative analyses to provide a comprehensive description of the interaction between family dynamics, corporate governance, and business performance. Descriptive statistics, reliability testing, correlation analysis, and structural equation modeling (SEM) used to guarantee a rigorous test of hypothesized connections.

#### **3.11.1 Descriptive Statistics**

The first component in the analysis is to compute descriptive statistics, including means, standard deviations, frequencies, and percentages for all major study variables and demographic variables. The process provides a general overview of the participant's profile, e.g., age, gender, and educational level. An institution profile overview includes services like the service activity, institution size, and institution location. Furthermore, it provides trends or tendencies in the data in terms of business performance, corporate governance, and family dynamics, and provides helpful insight into the general spread of replies.

### 3.11.2 Measurement Model Evaluation

The measurement model evaluated to guarantee that the observed variables accurately reflect the underlying constructs. This evaluation involved three main steps:

- **Internal Consistency Reliability:** Internal consistency was assessed using Cronbach's alpha and Composite Reliability (CR). Levels of internal consistency, Cronbach's alpha of 0.70 and higher, were considered good, while CR levels of 0.90 and higher were considered strong reliability. This helped to ensure that the items within each construct (such as family dynamics, corporate governance, and business performance) were all measuring consistently the same underlying construct (Hair Jr et al., 2010).
- **Convergent Validity:** Convergent validity was established based on Average Variance Extracted (AVE). A score of 0.50 and higher was considered to indicate sufficient convergence so that items for a particular construct tapped a very high level of variance between them. This confirmed that the indicators loaded on their respective latent variables correctly (Hair Jr et al., 2014).
- **Discriminant Validity:** Discriminant validity assessed using the Fornell-Larcker criterion and Heterotrait-Monotrait (HTMT) ratio. The Fornell-Larcker criterion verified that the square root of each construct's AVE was greater than its correlations with other constructs. HTMT values below 0.85 also further established discriminant validity, which indicated constructs were similar to one another (Fornell & Larcker, 1981). The last step in Discriminant Validity is to measure the cross-loading, which represents how each question or measure loads on various dimensions (Chin, 1998).

### 3.11.3 Structural Model Evaluation

The structural model was tested to examine the hypothesized relationships and establish the overall predictive capability of the model. This involved four important phases:

- **Indicator Collinearity:** Collinearity among indicators was examined with the Variance Inflation Factor (VIF). A VIF value of less than 5 confirms that multicollinearity is not an issue, thereby providing stability and reliability to the structural path estimates (Fornell & Bookstein, 1982).
- **Effect Size ( $f^2$ ):** The f-squared ( $f^2$ ) used to estimate the effect size of every independent variable on the dependent variables. Small, medium, and large effect sizes were assigned as 0.02, 0.15, and 0.35, respectively, which described the relative magnitude of each predictor (Cohen, 1992).
- **Coefficient of Determination ( $R^2$ ):** The R-squared ( $R^2$ ) value was computed to assess the model's explanatory capacity. Cohen (2013) regarded  $R^2$  values of 0.25, 0.50, and 0.75 as weak, medium, and large, respectively, and suggested a level to which the independent variables accounted for variance in the dependent variables.
- **Predictive Relevance ( $Q^2$ ):** The predictive relevance was captured by using the Stone-Geisser  $Q^2$  test, which holds the model accountable for predicting endogenous constructs. Having a value of  $Q^2 > 0$  indicated that the model was predictive relevant and demonstrated its usefulness in predicting outcomes for open innovation strategies (Hair Jr et al., 2017).

#### **3.11.4 Hypothesis Testing**

The importance of direct, indirect, and total effects within the structural model based on standardized regression weights (beta coefficients) and p-values. A p-value of less than 0.05 shows statistically significant correlations between variables. Mediating effects of corporate governance solutions examined using the bootstrapping method to validate their roles in connecting family dynamics to business performance (Hair Jr et al., 2017).

## Chapter Four: Results

### 4.1 Introduction

The chapter discusses results from the statistical analysis that was conducted to examine the influence of Family Dynamics (FD) on Business Performance (BP) within Palestinian industrial family businesses and to delve into Corporate Governance (CG) acting as a moderator in this relationship. This chapter is laid out as follows: it opens with a section on the demographic profile of respondents, providing context for the sample characteristics. It then proceeds with a detailed analysis of the measurement model, covering the reliability, convergent validity, discriminant validity, and fit indices of the model. The chapter then goes on to discuss the structural model results, with an emphasis on the direct effects of FD on BP and the moderating effect of CG.

### 4.2 Characteristics of Respondents

This section presents the demographic and organizational characteristics of the respondents who participated in the study. Understanding the profile of respondents is essential for contextualizing the results and ensuring the representativeness of the sample. A total of 382 valid responses were collected from participants working in Palestinian industrial family businesses. The detailed distribution is shown in Appendix A.

- **Gender Distribution:** Out of the total sample, 302 respondents (79.1%) were male, and 80 respondents (20.9%) were female. This gender distribution reflects the male-dominated nature of the industrial workforce in Palestine.
- **Age Groups:** A majority of respondents were aged more than 40 years (55.8%), followed by those aged 31 to 40 years (25.4%), 20 to 30 years (13.1%), and less than 20 years (5.8%). These figures indicate a predominantly experienced workforce with significant representation from older age groups.

- **Educational Qualifications:** The largest segment of respondents held a bachelor's degree (43.5%), followed by master's or higher degrees (33.8%). Respondents with high school (11.8%) and diploma degrees (10.2%) comprised smaller portions of the sample, while 0.8% had no formal educational qualifications.
- **Service Provider Sector:** Participants were employed across a diverse range of industrial sectors. The agricultural and food products industry was the most represented sector with 36.6%, followed by the stone and marble industry (17.5%), and the leather and footwear industries (11.8%). Other notable sectors included engineering and metal industries (7.9%), pharmaceutical industries (5.8%), and paper industries (3.9%). Several other niche sectors were each represented by smaller proportions (ranging from 0.8% to 1.6%).
- **Institution Location:** Firms were distributed across multiple governorates. The highest representation came from Hebron (27.7%), Ramallah and Al-Bireh (24.3%), and Nablus (17.3%). Other regions, such as Jenin, Tulkarm, Bethlehem, and Jericho, had smaller shares, ensuring geographic diversity within the sample.
- **Years of Operation:** Most of the participating institutions were long-established: 76.2% had been operating for more than 10 years. Others operated for 7 to 10 years (12.6%), 3 to 6 years (8.4%), and less than 2 years (2.9%), indicating that the sample included both mature and relatively newer businesses.
- **Institution Size:** The sample was almost evenly split between medium-sized enterprises (51.3%), employing between 20 and 50 workers, and large enterprises (48.7%), employing more than 50 workers.

### 4.3 Descriptive Statistics

This section presents descriptive statistics for the basic study variables as determined by the participants' response data. Essentially, all variables were operationalized on a five-point Likert scale. Scores within 1.00-2.99 signify low agreement; scores from 3.00-3.99 signify moderate agreement; and scores from 4.00 to 5.00 signify high agreement.

#### 4.3.1 Family Dynamics (FD)

This section presents the descriptive statistics for the construct Family Dynamics (FD) and its five dimensions: Family Control and Influence (FCI), Identification of Family Members with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment of Family Members (EAF), and Renewal of Family Bonds Through Dynastic Succession (RDS). The analysis includes the mean scores, standard deviations, and the percentages of negative, neutral, and positive responses, as well as the interpreted level of agreement.

Combining all dimensions, as shown in table 4.1, the overall mean score for Family Dynamics is 4.103, with a standard deviation of 0.805. The overall percentage of positive responses is 89.4%, indicating that the surveyed family business members perceive the family's involvement and relationships as strong and influential. The overall level of agreement is interpreted as high.

- **Family Control and Influence (FCI):** The mean scores for the six FCI items range from 4.016 to 4.165, with an overall mean of 4.113 and standard deviation of 0.865. Positive responses are high (88.5% overall), indicating strong agreement that family members have significant control and influence over the firm. The level of agreement is interpreted as high.

- **Identification of Family Members with the Firm (IFF):** The IFF dimension shows a consistent pattern of high agreement, with an overall mean of 4.129 and standard deviation of 0.807. The percentage of positive responses is 89.0%, reflecting strong identification of family members with the firm's identity and mission.
- **Binding Social Ties (BST):** The BST dimension has the highest positive perception among all FD sub-constructs, with an overall mean of 4.134, standard deviation of 0.747, and 91.9% positive responses. This indicates that strong interpersonal and social ties exist among family members in the business, with a high level of agreement across all five items.
- **Emotional Attachment of Family Members (EAF):** The EAF dimension shows a slightly lower but still favorable evaluation, with an overall mean of 4.017 and standard deviation of 0.832. While some items (e.g., EAF1 and EAF2) received moderate ratings, the dimension is rated high, with 86.4% positive responses. This indicates that emotional attachment exists but with more variability than in other dimensions.
- **Renewal of Family Bonds Through Dynastic Succession (RDS):** The RDS dimension exhibits strong support, with an overall mean of 4.123 and a standard deviation of 0.775. The percentage of positive responses stands at 91.1%, suggesting that participants agree on the importance of intergenerational succession as a tool for sustaining family involvement. The level of agreement is high.

Table (4.1): Family Dynamics Practices Dimensions and Indicators: Mean, Standard Deviation, and Percentage

<b>Construct</b>	<b>Q.#</b>	<b>Mean</b>	<b>Std.</b>	<b>% of Negative response</b>	<b>% of Neutral</b>	<b>% of Positive response</b>	<b>Level of Agreement</b>
<b>FCI</b>	FCI1	4.165	0.811	4.9%	2.3%	92.2%	High
	FCI2	4.136	0.853	6.0%	2.9%	90.6%	High
	FCI3	4.157	0.867	6.0%	3.4%	90.1%	High
	FCI4	4.157	0.864	5.2%	4.7%	89.6%	High
	FCI5	4.050	0.922	9.1%	1.6%	88.8%	High
	FCI6	4.016	0.875	5.7%	13.8%	79.9%	High
	<b>Overall</b>	4.113	0.865	6.2%	4.8%	88.5%	High
<b>IFF</b>	IFF1	4.094	0.795	5.2%	4.4%	89.8%	High
	IFF2	4.102	0.877	5.5%	10.9%	83.1%	High
	IFF3	4.165	0.781	4.4%	3.9%	91.1%	High
	IFF4	4.134	0.777	5.2%	3.1%	91.1%	High
	IFF5	4.160	0.792	4.4%	4.9%	90.1%	High
	IFF6	4.120	0.820	6.0%	4.7%	88.8%	High
	<b>Overall</b>	4.129	0.807	5.1%	5.3%	89.0%	High
<b>BST</b>	BST1	4.110	0.709	4.2%	4.4%	90.9%	High
	BST2	4.086	0.767	4.7%	4.2%	90.6%	High
	BST3	4.165	0.733	3.6%	1.8%	94.0%	High
	BST4	4.173	0.743	3.4%	2.3%	93.8%	High
	BST5	4.136	0.785	3.9%	5.2%	90.4%	High
	<b>Overall</b>	4.134	0.747	4.0%	3.6%	91.9%	High
<b>EAF</b>	EAF1	3.935	0.859	8.1%	8.1%	83.3%	Medium
	EAF2	3.971	0.900	9.4%	4.2%	85.9%	Medium
	EAF3	3.987	0.824	6.8%	5.5%	87.2%	Medium
	EAF4	3.990	0.893	8.6%	7.3%	83.6%	Medium
	EAF5	4.097	0.766	3.6%	9.1%	86.7%	High
	EAF6	4.126	0.749	3.4%	4.4%	91.7%	High
	<b>Overall</b>	4.017	0.832	6.6%	6.4%	86.4%	High
<b>RDS</b>	RDS1	4.141	0.774	4.4%	2.6%	92.4%	High
	RDS2	4.144	0.769	3.9%	4.4%	91.1%	High
	RDS3	4.097	0.796	5.5%	3.6%	90.4%	High
	RDS4	4.110	0.762	4.7%	4.4%	90.4%	High
	<b>Overall</b>	4.123	0.775	4.6%	3.8%	91.1%	High
<b>FD</b>		4.103	0.805	5.3%	4.8%	89.4%	High

### 4.3.2 Corporate Governance (CG)

This section presents the descriptive statistics of the Corporate Governance (CG) construct and its three dimensions: Board (BRD), Anti-takeover Provisions (ATP), and Compensation and Ownership (CAO). The analysis includes the mean scores, standard deviations, percentages of negative, neutral, and positive responses, as well as the overall level of agreement.

As shown in Table 4.2, the overall mean of Corporate Governance is 4.063, with a standard deviation of 0.821, and 87.0% of responses were positive. These results indicate a high level of agreement that corporate governance practices are well-structured and positively perceived within Palestinian industrial family firms

- **Board (BRD):** The BRD dimension includes 24 items. The overall mean score is 4.054, with a standard deviation of 0.823, and 86.9% of respondents expressed positive agreement. Most items scored in the “High” agreement range, such as BRD2 (M = 4.191, Positive = 91.7%) and BRD17 (M = 4.123, Positive = 91.4%). However, a few items, including BRD3, BRD10, BRD12, BRD20, and BRD21, received only “Medium” levels of agreement. Despite these exceptions, the overall perception of board effectiveness and governance structure remains high.
- **Anti-takeover Provisions (ATP):** This dimension consists of six items, with an overall mean of 4.095 and a standard deviation of 0.800. Positive responses reached 88.7%, reflecting strong agreement on the use of anti-takeover mechanisms in the governance structure. While most items showed high agreement (e.g., ATP4 with 91.7% positive responses), ATP2 had a slightly lower score (M = 3.995, Positive = 84.1%) and was categorized as “Medium.” Overall, the dimension reflects high agreement.

- **Compensation and Ownership (CAO):** CAO also comprises eight items, with an overall mean of 4.040 and a standard deviation of 0.841. A total of 85.4% of participants responded positively. Most items, such as CAO3, CAO6, and CAO7, indicate high agreement. However, CAO8 showed slightly weaker results (M = 3.982, Positive = 82.8%) and was categorized as “Medium.” In general, participants expressed high satisfaction with the ownership structures and compensation mechanisms in their organizations.

Table (4.2): Corporate Governance Dimensions and Indicators: Mean, Standard Deviation, and Percentage

Construct	Q.#	Mean	Std.	% of Negative response	% of Neutral	% of Positive response	Level of Agreement
<b>BRD</b>	BRD1	4.110	0.776	5.2%	3.9%	90.4%	High
	BRD2	4.191	0.734	3.6%	4.2%	91.7%	High
	BRD3	3.987	0.940	8.3%	5.5%	85.7%	Medium
	BRD4	4.034	0.840	7.0%	6.8%	85.7%	High
	BRD5	4.115	0.808	5.5%	4.7%	89.3%	High
	BRD6	4.047	0.895	7.8%	7.0%	84.6%	High
	BRD7	4.037	0.835	4.4%	14.1%	81.0%	High
	BRD8	4.018	0.889	8.9%	7.0%	83.6%	High
	BRD9	4.050	0.804	5.7%	8.6%	85.2%	High
	BRD10	3.976	0.824	4.9%	13.8%	80.7%	Medium
	BRD11	4.102	0.821	6.3%	4.7%	88.5%	High
	BRD12	3.984	0.878	9.4%	6.3%	83.9%	Medium
	BRD13	4.018	0.798	6.8%	5.7%	87.0%	High
	BRD14	4.084	0.806	5.5%	3.4%	90.6%	High
	BRD15	4.058	0.821	6.8%	2.6%	90.1%	High
	BRD16	4.016	0.893	8.6%	7.6%	83.3%	High
	BRD17	4.123	0.755	4.7%	3.4%	91.4%	High
	BRD18	4.110	0.796	4.9%	6.3%	88.3%	High
	BRD19	4.039	0.827	6.5%	5.5%	87.5%	High
	BRD20	3.966	0.861	7.6%	8.9%	83.1%	Medium
	BRD21	3.997	0.795	6.8%	8.1%	84.6%	Medium
	BRD22	4.052	0.805	5.5%	5.5%	88.5%	High
	BRD23	4.105	0.770	4.2%	4.4%	90.9%	High
	BRD24	4.081	0.785	4.9%	4.9%	89.6%	High
<b>Overall</b>		4.054	0.823	6.2%	6.4%	86.9%	High

<b>ATP</b>	ATP1	4.113	0.794	4.4%	5.2%	89.8%	High
	ATP2	3.995	0.884	8.3%	7.0%	84.1%	Medium
	ATP3	4.107	0.817	5.7%	3.4%	90.4%	High
	ATP4	4.126	0.746	4.4%	3.4%	91.7%	High
	ATP5	4.126	0.790	4.7%	5.2%	89.6%	High
	ATP6	4.102	0.769	3.9%	9.1%	86.5%	High
	<b>Overall</b>	4.095	0.800	5.3%	5.6%	88.7%	High
<b>CAO</b>	CAO1	4.065	0.927	8.1%	6.0%	85.4%	High
	CAO2	4.031	0.800	5.5%	7.6%	86.5%	High
	CAO3	4.042	0.766	4.7%	7.6%	87.2%	High
	CAO4	4.013	0.865	7.8%	6.0%	85.7%	High
	CAO5	4.042	0.844	5.7%	9.9%	83.9%	High
	CAO6	4.094	0.798	4.9%	7.8%	86.7%	High
	CAO7	4.052	0.886	7.3%	6.8%	85.4%	High
	CAO8	3.982	0.840	6.5%	10.2%	82.8%	Medium
<b>Overall</b>	4.040	0.841	6.3%	7.7%	85.4%	High	
<b>CG</b>		4.063	0.821	5.9%	6.5%	87.0%	High

### 4.3.3 Business Performance (BP)

The Business Performance construct consists of 12 items evaluating different aspects of firm performance. The overall mean score was 4.105, with a standard deviation of 0.753, indicating generally high perceived performance levels among respondents. The percentage of positive responses was 89.5%, confirming a strong consensus regarding favorable business outcomes.

All items in this construct were rated with a “High” level of agreement, with individual mean scores ranging from 4.034 (BP11) to 4.154 (BP3 and BP10). The highest positive response was observed in BP1 (92.4%), followed closely by BP3 (92.2%) and BP2 (91.7%). Even the lowest positive rating, BP11 at 84.9%, still falls within the high perception threshold.

These results demonstrate that respondents perceive their family-owned industrial businesses to be performing well in terms of profitability, growth, competitiveness, and other operational outcomes.

Table (4.3): Business Performance Dimensions and Indicators: Mean, Standard Deviation, and Percentage

Construct	Q.#	Mean	Std.	% of Negative response	% of Neutral	% of Positive response	Level of Agreement
<b>BP</b>	BP1	4.084	0.709	3.9%	3.1%	92.4%	High
	BP2	4.128	0.708	3.4%	4.4%	91.7%	High
	BP3	4.154	0.702	3.4%	3.9%	92.2%	High
	BP4	4.123	0.741	3.4%	6.3%	89.8%	High
	BP5	4.068	0.784	4.4%	7.0%	88.0%	High
	BP6	4.071	0.779	4.4%	5.7%	89.3%	High
	BP7	4.110	0.738	3.9%	4.2%	91.4%	High
	BP8	4.134	0.757	3.6%	6.3%	89.6%	High
	BP9	4.092	0.724	3.4%	7.0%	89.1%	High
	BP10	4.154	0.800	3.9%	7.3%	88.3%	High
	BP11	4.034	0.775	3.6%	10.9%	84.9%	High
	BP12	4.105	0.823	4.2%	8.6%	86.7%	High
<b>Overall</b>		4.105	0.753	3.8%	6.2%	89.5%	High

#### 4.4 Evaluation of the Study Model

The studies used the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach to test the good fit of the conceptual framework, carrying out the procedures using SPSS and SmartPLS. PLS-SEM is typically used in models comprising numerous constructs and indicators. That is why the method fares well in research conditions where a theory is not yet developed or refined. This method is also seen as fitting to take care of data, which may not satisfy the assumption of normality, though thus would have been an excellent analytical method for this research based on Hair Jr et al. (2017) and Chin (1998).

Validation of the model followed standard two-step PLS-SEM approaches, whereby the measurement model evaluation came first, followed by the structural model. Before running the measurement and structural analyses, the dataset was closely

examined for its normality to determine whether it was fit for the subsequent analytical procedures. To inspect normality, since skewness and kurtosis values were considered, the Kolmogorov-Smirnov (K-S) test and Shapiro-Wilk (S-W) test were also run. Although significance values from K-S and S-W tests suggested deviations from perfect normality, skewness and kurtosis statistics remained within acceptable ranges; thus, the PLS-SEM technique was justified for this research.

The measurement model assessment aimed to assess reliability and validity of the constructs. Starting with internal consistency reliability, checking Cronbach's Alpha and Composite Reliability values was imperative to ascertain whether indicators always measured the latent constructs for which they were intended. Moving onwards, convergent validity was tested by investigating outer loadings and AVE, ensuring there was adequate correlation among indicators with respect to their constructs. Lastly, discriminant validity was measured through the Fornell-Larcker criterion, HTMT ratios, and cross-loadings, all of which showed that every construct differed from others within the model.

After determining the goodness of fit of the model of measurement, the structural model was tested to assess the hypothesized relationships among latent constructs by conducting four important analyses. First, the collinearity of predictive constructs was tested by means of VIF, to ensure that it did not reach a problematic level. Second,  $R^2$  values were obtained to measure the extent to which internal causes could explain the changes in dependent constructs. Thirdly, there was an analysis of predictive relevance ( $Q^2$ ) based on blindfolding procedures to assess the strength of the model in predicting correlative observations. Finally, effect sizes ( $f^2$ ) were computed to check the extent to which each exogenous construct had an impact on endogenous variables.

This two-stage PLS-SEM approach allowed for comprehensive evaluation of the measurement properties and structural relationships within the model itself. The combined application of SPSS and SmartPLS ensured the robustness of the initial diagnostics and final model testing, so that the results would be both methodologically viable and substantively meaningful.

#### **4.4.1 Assessment of Data Normality**

Normality was reassessed with skewness and kurtosis values, along with the Kolmogorov-Smirnov (K-S) and the Shapiro-Wilk (S-W) tests. Skewness deals with the asymmetry distribution of data, while kurtosis examines the tails of a given distribution when compared with that of normal distribution. Kim (2013), suggests skewness values within  $\pm 2.0$  and kurtosis values below 7.0 to be considered as having an acceptable level of normality.

The results in Appendix (D), indicated that the skewness values for all items ranged between -1.116 and -1.956, while kurtosis values ranged from 1.645 to 7.007. According to Hair et al. (2010), skewness values between -2 and +2 and kurtosis values between -7 and +7 are acceptable for SEM using maximum likelihood estimation. Therefore, all items fall within acceptable thresholds, indicating no severe deviations from normality based on skewness and kurtosis.

Both the K-S and S-W tests were applied to assess normality at the item level. For all items, the significance values were  $p < 0.05$ , suggesting significant departures from normality. However, these tests are known to be highly sensitive in large samples ( $n > 200$ ), often flagging even minor deviations as statistically significant. Therefore, relying solely on K-S or S-W can lead to overly conservative conclusions.

Despite the significant values in the Kolmogorov-Smirnov and Shapiro-Wilk tests, the acceptable ranges of skewness and kurtosis suggest that the data approximate a normal distribution sufficiently for the use of parametric methods such as SEM. Thus, the normality assumption is deemed satisfied for the purposes of further analysis.

#### 4.4.2 Internal Consistency Reliability

The investigation then probes one of the essential questions, the question of whether each construct was internally consistent between items. The constructed measures were put to the reliability test by calculating Cronbach's alpha values and Composite Reliability values as shown in Table 4.4. Here, it may be noted that a Cronbach's  $\alpha$  coefficient around 0.70 is considered acceptable, while values greater than 0.90 represent excellent reliability (Hair Jr et al., 2010). Both guidelines accept composite reliability values higher than 0.70 for most studies, but values above 0.60 are utilized if the study is exploratory, such as this one. The boundary values provide assurance for the strength of the measurement model in capturing the study dimensions.

- **First-Order Constructs:** As shown in Table 4.4, the reliability results for the first-order constructs indicate exceptionally strong internal consistency. Overall Family Dynamics (FD) constructed a Cronbach's Alpha of 0.976 and a CR of 0.977, reflecting very high internal coherence. Its subdimensions, Family Control and Influence (FCI), Identification of Family Members with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment of Family Members (EAF), and Renewal of Family Bonds Through Dynastic Succession (RDS) exhibited  $\alpha$  values ranging from 0.912 to 0.931, and CR values between 0.934 and 0.948. The Corporate Governance (CG) construct also demonstrated excellent reliability ( $\alpha = 0.984$ , CR = 0.985), with its dimensions Board (BRD), Anti-takeover Provisions

(ATP), and Compensation and Ownership (CAO) scoring  $\alpha$  values between 0.922 and 0.975, and CR values ranging from 0.939 to 0.976. Likewise, the Business Performance (BP) construct showed excellent reliability, with  $\alpha = 0.967$  and CR = 0.970. These results confirm that all first-order constructs are internally consistent and reliable for further analysis.

- **Second-Order Constructs:** At the second-order level, the reliability values also exceeded recommended thresholds. The second-order construct for Family Dynamics (FD) produced a Cronbach's Alpha of 0.946 and CR of 0.959, while Corporate Governance (CG) at the second-order level scored  $\alpha = 0.967$  and CR = 0.978. These values provide strong evidence that the hierarchical model structure is statistically reliable and that the higher-order latent constructs meaningfully represent their associated first-order dimensions.

Overall, the internal consistency across all constructs, first-order and second-order, is confirmed to be excellent, supporting the robustness of the measurement model and justifying its continued use in structural modeling.

Table (4.4) Construct Reliability Analysis

<b>Construct</b>	<b><math>\alpha</math></b>	<b>CR</b>
<b>→ First Order</b>		
<b>FD</b>	0.976	0.977
FCI	0.929	0.945
IFF	0.930	0.945
BST	0.931	0.948
EAF	0.915	0.934
RDS	0.912	0.938
<b>CG</b>	0.984	0.985
BRD	0.975	0.976
ATP	0.922	0.939
CAO	0.948	0.957
<b>BP</b>	0.967	0.970

→ **Second Order**

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<b>FD</b>	0.946	0.959
<b>CG</b>	0.967	0.978

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#### **4.5 Convergent Validity**

This is being regarded as an important aspect of construct validity-the need to have high correlations among measures of independents of similar constructs. Hair Jr et al. (2014), defined this as "the extent to which a measure correlates positively with other measures of the same construct." To sum up, two primary tests are applied in establishing convergent validity in this study: outer loading and average variance extracted (AVE). Such techniques ensured that observed variables were good indicators of their respective constructs.

##### **4.5.1 Outer Loading**

Outer loading assesses the strength of the association of a construct with any indicator given in Appendix B. Generally, Hair Jr et al. (2017), verify that loading values above 0.60 are good enough to show convergent validity, meaning that the indicator is really contributing to the meaning of a construct. Indeed, this analysis shows that most indicators exceed this level, meaning that they are very well aligned with their constructs. Appendix B contains the outer loadings for all first-order and second-order constructs of this study.

- **First-Order Constructs:** As shown in the results, all first-order items across constructs exhibited outer loading values above 0.70, confirming strong convergence. Most loadings exceed 0.80, with several even surpassing 0.90, especially within the BST and CAO constructs. For example, items like BST3 (0.905), BST4 (0.937), and CAO4 (0.904) reflect very strong item-construct

relationships. Even the lowest loading (e.g., RDS2 = 0.723, IFF2 = 0.740) remains within acceptable bounds. Therefore, all first-order constructs (FD, CG, BP) exhibit satisfactory convergent validity.

- **Second-Order Constructs:** For second-order constructs, the latent dimensions of Family Dynamics (FD) and Corporate Governance (CG) also demonstrated excellent convergent validity. The outer loadings for FD ranged from 0.877 to 0.925, with all five dimensions (FCI, IFF, BST, EAF, RDS) well above the minimum threshold. Similarly, CG showed outer loadings ranging from 0.964 to 0.977 for its three dimensions (BRD, ATP, CAO), indicating a very strong alignment of each dimension with the second-order latent construct.

The outer loading analysis supports strong convergent validity across both first-order and second-order constructs. All indicators demonstrate high item reliability and contribute meaningfully to their respective constructs, providing a solid foundation for further analysis of the structural model.

#### 4.5.2 Average Variance Extracted (AVE)

This method is used for analyzing and measuring convergent validity of the constructs. How well does a construct explain the variance in its indicators? An AVE of 0.50 or above is generally accepted according to Fornell and Larcker (1981), which means the construct must be able to explain at least 50% of the variance in its indicators. However, constructs with AVEs less than 0.50 might display weaker convergent validity and thus could require further refinement.

- **First-Order Constructs:** As presented in Table 4.5, all values surpassed the minimum threshold, confirming a high degree of internal convergence among their measurement items. The overarching construct of Family Dynamics (FD) had an AVE of 0.617, with its five sub-dimensions showing even stronger validity:

Family Control and Influence (FCI) = 0.740, Identification of Family Members with the Firm (IFF) = 0.743, Binding Social Ties (BST) = 0.785, Emotional Attachment of Family Members (EAF) = 0.703, and Renewal of Family Bonds Through Dynastic Succession (RDS) = 0.792. Similarly, Corporate Governance (CG) achieved an AVE of 0.636, and its sub-dimensions also reflected strong convergence: Board (BRD) = 0.633, Anti-takeover Provisions (ATP) = 0.721, and Compensation and Ownership (CAO) = 0.735. The Business Performance (BP) construct recorded a high AVE of 0.733, further reinforcing the strength of its measurement items.

- **Second-Order Constructs:** At the second-order construct level, convergent validity was exceptionally strong. The AVE for the second-order Family Dynamics (FD) construct was 0.823, while the second-order Corporate Governance (CG) construct reported an AVE of 0.938. These results indicate that the higher-order latent constructs are very well represented by their respective first-order dimensions, providing solid evidence of their internal validity.

In summary, all constructs at both the first-order and second-order levels exceed the accepted AVE threshold, confirming that the measurement model demonstrates robust convergent validity across all levels.

Table (4.5) Average Variance Extracted (AVE) Analysis

<b>Construct</b>	<b>AVE</b>
<b>→ First Order</b>	
<b>FD</b>	0.617
FCI	0.740
IFF	0.743
BST	0.785
EAF	0.703
RDS	0.792

<b>CG</b>	0.636
BRD	0.633
ATP	0.721
CAO	0.735
<b>BP</b>	0.733
<hr/>	
<b>→ Second Order</b>	
<b>FD</b>	0.823
<b>CG</b>	0.938

### 4.5.3 Discriminant Validity

Discriminant validity refers to the extent of distinction that a construct holds from all other constructs in a model. Three approaches are usually considered for discriminant validity testing, namely the Fornell-Larcker criterion, the HTMT, and cross-loading analysis. For the Fornell-Larcker criterion, one intends to compare the square root of the AVE for each construct against the correlations these constructs hold with other constructs. If the square root of the AVE for a given construct is higher than the correlation of said construct with any other construct, then that construct has alleged discriminant validity (Fornell & Larcker, 1981).

- **Fornell-Larcker criterion**

The Fornell-Larcker criterion requires that the square root of the AVE for each construct (diagonal values in Table 4.5) be greater than its correlations with other constructs (off-diagonal values). As shown in Table 4.6, all diagonal values are larger than the corresponding inter-construct correlations. For example, the square root of the AVE for BST (0.886) exceeds its correlations with BRD (0.844), CG (0.840), and others. This pattern holds true across all constructs, indicating that each first-order construct shares more variance with its own indicators than with other constructs thus confirming discriminant validity using this criterion.

At the second-order level, the Fornell-Larcker criterion (Table 4.8) also confirmed discriminant validity. The square roots of AVEs for FD (0.907) and CG (0.968) are greater than their inter-construct correlations with BP and with each other. For example, the correlation between CG and BP is 0.928, which is lower than CG's AVE square root (0.968).

- **Heterotrait-Monotrait (HTMT) Ratio**

To further validate this, the HTMT values (Table 4.7) were examined. HTMT values should be below 0.90 (or 0.85 for more conservative thresholds). In the results, most HTMT values fell below 0.90. However, a few values such as  $CG \leftrightarrow BRD = 1.013$  slightly exceeded this conservative limit, suggesting a potential overlap between those constructs that may require further theoretical justification or model refinement. Despite this, the overall HTMT results largely support the presence of discriminant validity among first-order constructs.

Regarding the HTMT ratio for second-order constructs (Table 4.9), all values remained well below the 0.90 threshold:  $BP-CG = 0.943$ ,  $BP-FD = 0.886$ ,  $CG-FD = 0.904$ . These findings confirm acceptable discriminant validity, although the value between BP and CG is close to the upper boundary, suggesting a strong association that should be interpreted with theoretical care.

The results from both the Fornell-Larcker and HTMT analyses provide overall support for discriminant validity at both the first-order and second-order levels. While a few borderline values were observed, especially in HTMT, they do not compromise the overall integrity of the measurement model. Therefore, the constructs in this study are empirically distinct and theoretically valid.

Table (4.6) Fornell-Larcker criterion (1st Order)

	ATP	BP	BRD	BST	CAO	CG	EAF	FCI	FD	IFF	RDS
ATP	0.849										
BP	0.900	0.856									
BRD	0.915	0.923	0.796								
BST	0.802	0.847	0.844	0.886							
CAO	0.884	0.870	0.921	0.761	0.857						
CG	0.946	0.931	0.992	0.840	0.955	0.798					
EAF	0.833	0.797	0.848	0.801	0.785	0.853	0.838				
FCI	0.768	0.782	0.769	0.805	0.685	0.770	0.812	0.860			
FD	0.858	0.860	0.870	0.923	0.779	0.870	0.908	0.924	0.786		
IFF	0.724	0.713	0.723	0.809	0.631	0.722	0.773	0.803	0.915	0.862	
RDS	0.773	0.774	0.769	0.776	0.676	0.769	0.716	0.749	0.864	0.748	0.890

Table (4.7) Heterotrait-Monotrait ratio (1st Order)

	ATP	BP	BRD	BST	CAO	CG	EAF	FCI	FD	IFF	RDS
ATP											
BP	0.953										
BRD	0.965	0.951									
BST	0.866	0.893	0.886								
CAO	0.944	0.908	0.957	0.809							
CG	0.991	0.953	1.013	0.876	0.988						
EAF	0.902	0.842	0.895	0.857	0.843	0.895					
FCI	0.827	0.824	0.809	0.863	0.729	0.804	0.874				
FD	0.904	0.885	0.893	0.965	0.810	0.887	0.956	0.970			
IFF	0.781	0.753	0.761	0.870	0.671	0.753	0.828	0.865	0.961		
RDS	0.845	0.826	0.819	0.842	0.730	0.813	0.772	0.811	0.913	0.811	

Table (4.8) Fornell-Larcker criterion (2nd Order)

	BP	CG	FD
BP	1.000		
CG	0.928	0.968	
FD	0.863	0.865	0.907

Table (4.9) Heterotrait-Monotrait ratio (2nd Order)

	BP	CG	FD
BP			
CG	0.943		
FD	0.886	0.904	

- **Cross-Loading Analysis**

According to Chin (1998), it is important to analyze cross loading to see if indicators show higher correlations with other constructs than with the intended ones. Ideally, the indicator must have higher loading on its construct than on any other construct to establish strong alignment and to support discriminant validity.

As shown in the results (Appendix E), all items loaded highest on their corresponding constructs compared to other constructs. For example, item FCI1 loaded 0.859 on the FCI construct, while its loadings on other constructs such as IFF, BST, and CAO were lower (0.681, 0.807, and 0.596, respectively). Similarly, IFF3 had a strong loading of 0.903 on the IFF construct, while its cross-loadings on BST, EAF, and BP were all significantly lower. The same pattern holds true for all other constructs such as BST, EAF, RDS, BRD, ATP, CAO, and BP, where each item's highest loading is on its theoretically associated construct.

Notably, items from second-order constructs also exhibited appropriate behavior. For instance, item BRD4 loaded 0.807 on its parent construct BRD but less strongly on all other constructs. This pattern was consistent across all dimensions of Corporate Governance (CG) and Family Dynamics (FD), including sub-dimensions like ATP, CAO, FCI, and RDS.

These results reinforce the earlier findings from the Fornell-Larcker and HTMT analyses, providing additional evidence of adequate discriminant validity within the model. The clear distinction in loadings across constructs indicates that the measurement items effectively capture their intended latent variables without significant overlap.

## 4.6 Structural Model Assessment

Once the measurement model was approved, the structural model was examined to validate the hypothetical relationships among constructs. The researcher conducted four main tests: multicollinearity test, coefficient of determination ( $R^2$ ), predictive relevance ( $Q^2$ ), and effect size ( $f^2$ ). These tests helped to understand better the reliability and predictive power of the structural model.

### 4.6.1 Indicator Multicollinearity

In case of multicollinearity between variables, path coefficients in a structural model would be misestimated. Correspondingly, collinearity among indicators is assessed using the Variance Inflation Factor (VIF), accepted to be below 5 for fair collinearity conditions (Fornell & Bookstein, 1982). For strict analysis, though, values below 3 are considered better. The variations for each indicator of all constructs are summarized in Appendix C.

The results presented in Appendix C show that most items across constructs fall within the acceptable VIF threshold, supporting the absence of critical multicollinearity problems in the measurement model. For example, VIF values for FCI indicators ranged from 2.198 to 4.263, and for IFF from 2.635 to 3.898, all comfortably below the critical threshold. Similarly, the BST, EAF, RDS, ATP, and CAO constructs generally exhibit VIF values between 1.953 and 4.561, confirming acceptable collinearity levels.

However, a few items display VIF values exceeding 5.0, notably within BP and BRD dimensions. For instance, BP2 (9.568), BP3 (8.199), and BP4 (5.740) show elevated VIF levels, indicating a high degree of collinearity. Similarly, BRD3 (6.489), BRD6 (5.679), BRD14 (5.777), BRD20 (6.131), and BRD22 (5.696) exceed the threshold.

Although not automatically disqualifying, these elevated values warrant cautious interpretation, as they may affect the precision and stability of regression coefficients.

In conclusion, while the overall model does not suffer from widespread multicollinearity, attention should be given to specific items with high VIFs. Researchers may consider evaluating these items for redundancy or overlapping content and potentially re-specifying the measurement model, if necessary, in future refinements.

#### **4.6.2 Coefficient of Determination ( $R^2$ )**

The coefficient of determination ( $R^2$ ) describes the quantity of variation of the endogenous construct explained by the exogenous constructs and hence can be described as the predictive accuracy of the model.  $R^2$  takes values between zero and one, with values tilting heavily toward one denoting higher explanatory power. Cohen (2013), proposed that  $R^2$  values of 0.02, 0.15, and 0.35 should be interpreted as weak, moderate, and strong, respectively.

As shown in Table (4.10), the  $R^2$  values for all constructs in the model are well above the threshold for a strong effect, confirming high predictive accuracy throughout the model. Notably, constructs such as BRD ( $R^2 = 0.984$ ), CAO ( $R^2 = 0.912$ ), ATP ( $R^2 = 0.895$ ), and BP ( $R^2 = 0.878$ ) exhibit very high levels of explained variance. Similarly, first-order dimensions under Family Dynamics; FCI (0.854), IFF (0.837), BST (0.852), EAF (0.825), and RDS (0.746) all display robust  $R^2$  values, confirming the model's structural validity.

The adjusted  $R^2$  values closely mirror the unadjusted  $R^2$  values across all constructs, which supports the model's stability and suggests minimal inflation due to model complexity. The  $R^2$  values for CG (0.757) and its subdimensions also confirm a high degree of explained variance.

In summary, the model demonstrates strong explanatory power for all dependent variables, reinforcing the robustness of the hypothesized relationships among Corporate Governance, Family Dynamics, and Business Performance.

Table (4.10) Results of R2

<b>Construct</b>	<b>R-square</b>	<b>R-square adjusted</b>	<b>Degree</b>
<b>IFF</b>	0.837	0.836	High
<b>FCI</b>	0.854	0.854	High
<b>BST</b>	0.852	0.852	High
<b>EAF</b>	0.825	0.825	High
<b>RDS</b>	0.746	0.745	High
<b>BRD</b>	0.984	0.983	High
<b>ATP</b>	0.895	0.895	High
<b>CAO</b>	0.912	0.912	High
<b>CG</b>	0.757	0.756	High
<b>BP</b>	0.878	0.877	High

#### 4.6.3 Predictive Relevance ( $Q^2$ )

Predictive relevance ( $Q^2$ ) can be determined about predictive accuracy of endogenous constructs under PLS by performing blindfolding operations. For a  $Q^2$  value greater than zero, the model is then said to have predictive relevance for the respective endogenous construct (Stone, 1974). The higher the  $Q^2$  value, the higher the predictive ability of the model.

As illustrated in Table (4.11), all constructs yielded  $Q^2$  values substantially above zero, thereby affirming positive predictive relevance across the structural model. The constructs BST ( $Q^2 = 0.854$ ), FCI (0.855), IFF (0.839), and EAF (0.827) reported particularly high predictive relevance, indicating robust predictive capability in the context of Family Dynamics. Similarly, BP (0.743), ATP (0.739), BRD (0.760), CG (0.760), and RDS (0.749) demonstrated strong  $Q^2$  values, further validating the model's predictive performance.

Moreover, the Root Mean Square Error (RMSE) and Mean Absolute Error (MAE) were also evaluated to quantify prediction accuracy. Lower values of RMSE and MAE, particularly for BST (RMSE = 0.391, MAE = 0.245) and FCI (RMSE = 0.388, MAE = 0.250) corroborate the consistency and reliability of the model's predictions.

In sum, the high  $Q^2$  values alongside acceptable RMSE and MAE scores establish that the model maintains excellent predictive relevance, thereby strengthening the overall quality of the structural model.

Table (4.11) Results of Q2

<b>Construct</b>	<b>Q<sup>2</sup> predict</b>	<b>RMSE</b>	<b>MAE</b>
<b>ATP</b>	0.739	0.522	0.342
<b>BP</b>	0.743	0.518	0.334
<b>BRD</b>	0.760	0.499	0.311
<b>BST</b>	0.854	0.391	0.245
<b>CAO</b>	0.609	0.636	0.383
<b>CG</b>	0.760	0.500	0.311
<b>EAF</b>	0.827	0.423	0.287
<b>FCI</b>	0.855	0.388	0.250
<b>IFF</b>	0.839	0.409	0.275
<b>RDS</b>	0.749	0.511	0.265

#### 4.6.4 Effect Size ( $f^2$ ) tests

The effect size ( $f^2$ ) was calculated to determine the individual contribution of each exogenous construct to its respective endogenous construct by observing the change in the  $R^2$  value when the construct is removed from the model (Chin, 1998). Following Cohen's (1992) criteria, effect sizes: small (0.02), medium (0.15), and large (0.35). An increase in  $f^2$  value corresponds to more power given by an exogenous construct in explaining the variation of an endogenous construct

The results in Table (4.12) clearly show that all reported relationships have exceptionally large effect sizes, far surpassing the threshold for strong influence. Within

the Family Dynamics (FD) domain, its impact on its sub-dimensions is notably high: IFF ( $f^2 = 5.119$ ), FCI (5.863), BST (5.777), EAF (4.719), and RDS (2.936). These values reflect the dominant explanatory strength of the FD construct across its components, confirming its pivotal role.

Regarding Corporate Governance (CG), the effect size on BRD (59.638) is extraordinarily large, indicating that BRD is almost entirely dependent on CG. Similarly, ATP ( $f^2 = 8.532$ ) and CAO ( $f^2 = 10.363$ ) reflect robust dependency on CG. Furthermore, CG also demonstrates a solid direct effect on BP ( $f^2 = 1.114$ ), confirming its strategic importance in influencing business performance.

Additionally,  $FD \rightarrow CG$  shows a strong effect ( $f^2 = 3.113$ ), suggesting that Family Dynamics significantly contribute to Corporate Governance practices. The weakest path in the model is  $FD \rightarrow BP$  with  $f^2 = 0.058$ , which still exceeds the minimum threshold, representing a small yet relevant effect.

Overall, the results indicate that the exogenous constructs (especially FD and CG) exert high explanatory power on their respective outcomes, reinforcing the robustness and strength of the structural model.

Table (4.12) Results of  $f^2$

<b>Construct</b>	<b>F2</b>	<b>Degree</b>
<b>FD <math>\rightarrow</math> IFF</b>	5.119	High
<b>FD <math>\rightarrow</math> FCI</b>	5.863	High
<b>FD <math>\rightarrow</math> BST</b>	5.777	High
<b>FD <math>\rightarrow</math> EAF</b>	4.719	High
<b>FD <math>\rightarrow</math> RDS</b>	2.936	High
<b>CG <math>\rightarrow</math> BRD</b>	59.638	High
<b>CG <math>\rightarrow</math> ATP</b>	8.532	High
<b>CG <math>\rightarrow</math> CAO</b>	10.363	High
<b>FD <math>\rightarrow</math> CG</b>	3.113	High
<b>FD <math>\rightarrow</math> BP</b>	0.058	Medium
<b>CG <math>\rightarrow</math> BP</b>	1.114	High

#### 4.7 Research Hypotheses Testing

The final phase of structural model evaluation entails analyzing the hypothesized relationships through the path coefficient test. By the recommendations of Hair Jr et al. (2017), bootstrapping techniques utilizing 5,000 subsamples were applied to assess the proposed hypotheses.

The results of the study hypotheses are illustrated in Figure 4.1. In the path analysis, the values displayed within the inner model represent the outcomes of the hypothesized relationships.

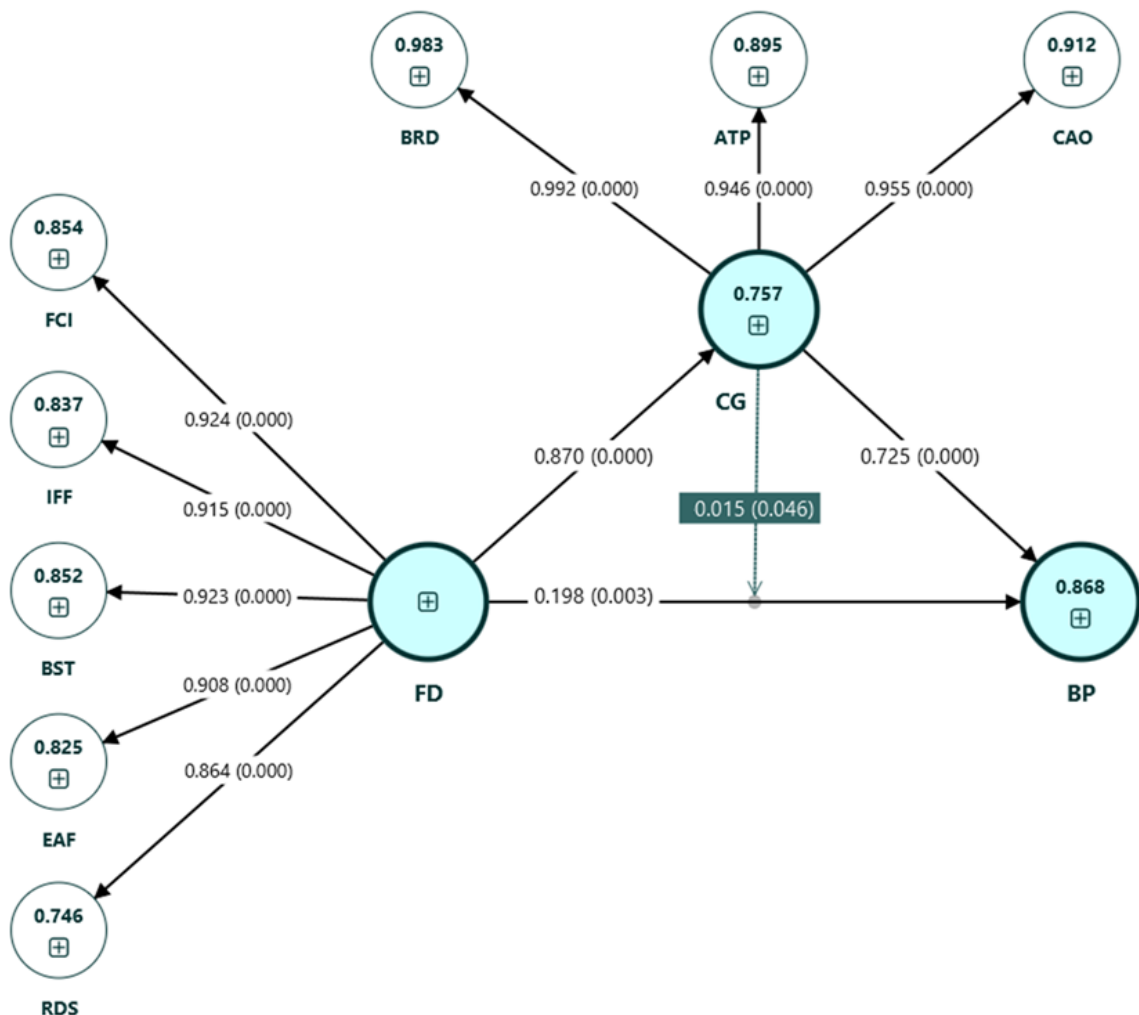


Figure (4.1) Results of Path Analysis

\*Values in the inner model represent the (p-value); the outer model represents  $\beta$ -value.

## 4.7.1 Results of the Hypothesis

### 4.7.1.1 Family Dynamics (FD) and Family Businesses (BP)

The first hypothesis (H1) proposed that family dynamics (FD) have a significant positive effect on the performance of family businesses (BP) within the Palestinian industrial sector. As shown in Table (4.13), this hypothesis is supported with a standardized path coefficient ( $\beta$ ) of 0.198, a t-value of 2.802, and a p-value of 0.003, which is below the 0.05 significance level. This indicates a statistically significant and positive relationship between FD and BP.

Furthermore, the analysis examined the sub-dimensions of family dynamics to assess their individual contributions to business performance. All five sub-hypotheses (H1a–H1e) were strongly supported, each showing high  $\beta$  coefficients and extremely significant t-values and p-values:

- H1a (FCI  $\rightarrow$  BP):  $\beta = 0.202$ ,  $t = 26.953$ ,  $p < 0.000$
- H1b (IFF  $\rightarrow$  BP):  $\beta = 0.189$ ,  $t = 23.912$ ,  $p < 0.000$
- H1c (BST  $\rightarrow$  BP):  $\beta = 0.186$ ,  $t = 25.890$ ,  $p < 0.000$
- H1d (EAF  $\rightarrow$  BP):  $\beta = 0.196$ ,  $t = 28.326$ ,  $p < 0.000$
- H1e (RDS  $\rightarrow$  BP):  $\beta = 0.140$ ,  $t = 21.007$ ,  $p < 0.000$

These findings underscore the critical role those various aspects of family dynamics, such as family cohesion, involvement, shared trust, emotional attachment, and role definition, play in shaping and enhancing the performance outcomes of family-owned enterprises. The consistency across all sub-dimensions reinforces the theoretical robustness of the family dynamics construct and confirms its strategic relevance in the context of the Palestinian industrial sector.

Table (4.13) Results of the First Hypothesis

Hypothesis	Direction	$\beta$ coefficient	Std.	<i>t</i> Value	<i>p</i> Value	Result
<b>H1</b>	FD → BP	0.198	0.071	2.802	0.003	Supported
<b>H1a</b>	FCI → BP	0.202	0.007	26.953	0.000	Supported
<b>H1b</b>	IFF → BP	0.189	0.008	23.912	0.000	Supported
<b>H1c</b>	BST → BP	0.186	0.007	25.890	0.000	Supported
<b>H1d</b>	EAF → BP	0.196	0.007	28.326	0.000	Supported
<b>H1e</b>	RDS → BP	0.140	0.007	21.007	0.000	Supported

#### 4.7.1.2 Family Dynamics (FD) and Corporate Governance (CG)

Hypothesis 2 (H2) proposed that family dynamics (FD) have a significant positive effect on the implementation and quality of corporate governance (CG) practices in Palestinian industrial family businesses. The findings presented in Table (4.14) strongly support this hypothesis. The standardized path coefficient ( $\beta$ ) is 0.870, with a t-value of 33.248 and a p-value of 0.000, indicating a highly significant relationship between FD and CG. This outcome confirms that family dynamics play a crucial role in shaping and improving corporate governance practices in family-owned firms.

In addition, all sub-hypotheses (H2a–H2e) examining the individual influence of each dimension of family dynamics on corporate governance were also strongly supported. Each component showed statistically significant effects with very high t-values and  $\beta$  coefficients:

- H2a (FCI → CG):  $\beta = 0.212$ ,  $t = 31.246$ ,  $p < 0.000$
- H2b (IFF → CG):  $\beta = 0.198$ ,  $t = 25.199$ ,  $p < 0.000$
- H2c (BST → CG):  $\beta = 0.196$ ,  $t = 29.609$ ,  $p < 0.000$
- H2d (EAF → CG):  $\beta = 0.206$ ,  $t = 32.324$ ,  $p < 0.000$
- H2e (RDS → CG):  $\beta = 0.147$ ,  $t = 22.708$ ,  $p < 0.000$

These results highlight that the integrity of family cohesion, intergenerational involvement, behavioral standards, emotional alignment, and role clarity contribute

substantially to the design and execution of sound corporate governance mechanisms. This relationship is particularly important in the Palestinian industrial context, where family influence is often deeply embedded in business operations, making family dynamics a key enabler of governance effectiveness.

Table (4.14) Results of the Second Hypothesis

Hypothesis	Direction	$\beta$ coefficient	Std.	<i>t</i> Value	<i>p</i> Value	Result
<b>H2</b>	FD → CG	0.870	0.026	33.248	0.000	Supported
<b>H2a</b>	FCI → CG	0.212	0.007	31.246	0.000	Supported
<b>H2b</b>	IFF → CG	0.198	0.008	25.199	0.000	Supported
<b>H2c</b>	BST → CG	0.196	0.007	29.609	0.000	Supported
<b>H2d</b>	EAF → CG	0.206	0.006	32.324	0.000	Supported
<b>H2e</b>	RDS → CG	0.147	0.006	22.708	0.000	Supported

#### 4.7.1.3 Corporate Governance (CG) and Family Businesses (BP)

Hypothesis 3 (H3) posited that corporate governance (CG) has a significant positive effect on the performance of family businesses (BP) in the Palestinian industrial sector. The empirical results support this hypothesis. As shown in the results table 4.15, the path coefficient ( $\beta$ ) is 0.725, with a standard error of 0.063, a t-value of 11.420, and a p-value of 0.000, which is statistically significant at the 0.05 level.

This strong and significant relationship underscores the critical role that well-established corporate governance practices play in enhancing business performance in family-owned industrial firms. The findings imply that mechanisms such as board oversight, transparency, accountability, and strategic alignment are positively associated with improved operational and financial outcomes. Given the complexity and duality of family and business interests in such firms, robust governance structures likely help to balance internal dynamics and promote sustainable business success.

Table (4.15) Results of the Third Hypothesis

Hypothesis	Direction	$\beta$ coefficient	Std.	<i>t</i> Value	<i>p</i> Value	Result
H3	CG → BP	0.725	0.063	11.420	0.000	Supported

#### 4.7.1.4 Family Dynamics, Corporate Governance and Family Businesses

Hypothesis 4 (H4) proposed that corporate governance (CG) moderates the relationship between family dynamics (FD) and business performance (BP), such that the relationship becomes stronger when effective governance mechanisms are in place. The moderation analysis provides compelling evidence in support of this hypothesis and all its sub-dimensions.

The interaction term  $FD \times CG \rightarrow BP$  has a path coefficient ( $\beta$ ) of 0.015, with a *t*-value of 1.686 and a *p*-value of 0.046, which is significant at the 0.05 level. This supports the overarching H4 hypothesis and confirms that CG acts as a positive moderator.

Furthermore, each of the five sub-dimensions of FD was also tested for moderation effects by CG:

- $FCI \times CG \rightarrow BP$ :  $\beta = 0.153$ ,  $t = 9.672$ ,  $p = 0.000$
- $IFF \times CG \rightarrow BP$ :  $\beta = 0.143$ ,  $t = 9.865$ ,  $p = 0.000$
- $BST \times CG \rightarrow BP$ :  $\beta = 0.141$ ,  $t = 9.912$ ,  $p = 0.000$
- $EAF \times CG \rightarrow BP$ :  $\beta = 0.149$ ,  $t = 9.937$ ,  $p = 0.000$
- $RDS \times CG \rightarrow BP$ :  $\beta = 0.106$ ,  $t = 9.570$ ,  $p = 0.000$

All moderation effects were statistically significant ( $p < 0.001$ ) with substantial path coefficients, implying that corporate governance strengthens the positive impact of each family dynamic factor on business performance.

These findings collectively suggest that when governance practices are effectively implemented, they amplify the positive influence of internal family-related factors on

firm outcomes, contributing to greater alignment, transparency, and strategic execution within Palestinian industrial family businesses.

Table (4.16) Results of the Fourth Hypothesis

Hypothesis	Direction	$\beta$ coefficient	Std.	<i>t</i> Value	<i>p</i> Value	Result
<b>H4</b>	FD x CG → BP	0.015	0.009	1.686	0.046	Supported
<b>H4a</b>	FCI x CG → BP	0.153	0.016	9.672	0.000	Supported
<b>H4b</b>	IFF x CG → BP	0.143	0.015	9.865	0.000	Supported
<b>H4c</b>	BST x CG → BP	0.141	0.014	9.912	0.000	Supported
<b>H4d</b>	EAF x CG → BP	0.149	0.015	9.937	0.000	Supported
<b>H4e</b>	RDS x CG → BP	0.106	0.011	9.570	0.000	Supported

#### 4.8 Summary of Findings

The study offers an integrated understanding of how Family Dynamics (FD) affect or influence the Business Performance (BP) of family firms operating in the Palestinian industrial sector, either directly or through Corporate Governance (CG). The results suggest that FD positively and significantly influences BP and, in support thereof, all its subdimensions-Family Cohesion and Involvement (FCI), Intergenerational Financial Factors (IFF), Business Strategic Thinking (BST), Emotional Attachment of Family (EAF), and Role of Decision Structure (RDS). Each dimension significantly influenced business results, which means that stronger family bonding, financial alignments, strategic focus, emotional commitment, and decision-making structures contribute to better business performance.

While it is a direct effect, it has also been found that FD strongly affects CG, thus confirmation of the fact that family-based relational capital has a deep foundation in forming sound governance structures. All FD dimensions positively influence CG, and hence it supports the need for internal family alignment for transparent, accountable, and participatory governance mechanisms.

Moreover, CG also has a significant direct effect on BP, highlighting its importance as a crucial enabler of business success. The moderation analysis evidenced that CG also fostered the relationship between FD and BP, mostly on all FD sub-dimensions, implying that, when CG is effectively practiced, the benefits of FD on performance are bolstered. This scenario builds upon the paradigm that CG works as a strategic contingency factor, rather than just a parallel construct.

All in all, the results solidly support the framework conceptualized in this study, which considers Family Dynamics as a primary driver, Corporate Governance as enhancing and shaping these influences, and Business Performance as the ultimate outcome. Family cohesion interacting with formal governance structures becomes inextricably tied to achieving long-term business success in Palestinian family-owned industrial firms.

## **Chapter Five: Discussion of Findings**

### **5.1 Introduction**

This chapter contains a vast array of study findings, research objectives, and hypotheses. It goes on in a thorough manner in presenting an interpretation of the empirical results supported by statistical data collected through structural equation modeling (SEM). Such interpretations are discussed with the extant literature and theoretical constructs. The chapter hence attempts to provide an exhaustive understanding of how Family Dynamics (FD), Corporate Governance (CG), and Business Performance (BP) relate to one another in Palestinian family industrial enterprises. Thus, it deals with the direct impact of FD on BP and the moderating effect of CG on the relationship between FD and BP.

### **5.2 Descriptive Analysis Discussion**

The overall mean score for Family Dynamics (FD) was 4.103 with a standard deviation of 0.805, implying a high agreement among the respondents. A slight 89.4% of respondents marked "positive" responses, which implies a great appreciation of solid family interaction and cohesion in the running of businesses. Such a strong place of family engagement can be directly linked to the essentially collectivistic nature of Palestinian society, where family allegiance and mutual dependence are culturally inculcated (Sinha, 2023).

Hence, dissecting the FD construct, all five of its dimensions showed similarly high levels of agreement. The highest distinction of the five was Binding Social Ties (BST), with a mean of 4.134 and 91.9% positive responses. The result highlights the importance of interpersonal relations and kinship networks within Palestinian family businesses. As further elaborated by Weimann et al. (2021), such mechanisms serve as

informal governance structures that enable trust, cooperation, and mutual support, something that gains significance in a fragile institutional setting such as that of Palestine (Khoury et al., 2024).

The Family Control and Influence (FCI), which has a mean is 4.13, denotes the existence of heavy family authority in decision-making. It is consistent with the patriarchal and hierarchical framework under which family businesses are conducted in the Middle East (Zellweger et al., 2012). This concentration of authority would help quick decision-making and ensure value compatibility; however, this is detrimental to dissenting views and innovations, especially from younger or female members (Sultan et al., 2024). The Identification of Family Members with the Firm (IFF) recorded a mean of 4.129, suggesting strongly that family members closely associate their identity with the success of the family business. Such psychological ownership may bring about stronger commitment and long-term orientation (O'Reilly & Chatman, 1986), both of which are crucial in volatile environments, such as Palestine, where external support is almost absent (Abuznaid, 2014).

Emotional Attachment of Family Members (EAF) presented a slightly lower score (mean = 4.017) but remained within the high agreement range. Although affective ties can be sources of resilience and motivation (Abdelaziz, 2021), excessive emotionalism can hinder objective evaluation and reform (Eddleston & Kellermanns, 2007). The variability in this dimension suggests that while emotional bonds exist, there is some recognition among firms of the need to balance emotion with rational business decisions.

Renewal of Family Bonds through Dynastic Succession (RDS) also scored highly (mean = 4.123), reaffirming the value placed on intergenerational continuity. As family businesses in Palestine are frequently passed down through generations, the importance of structured and culturally aligned succession planning is particularly relevant

(Chalhoub, 2025). The strong support for dynastic succession aligns with findings by Ferrari (2023), who emphasizes that succession, when handled strategically, can ensure continuity and growth. However, in Palestine, many transitions still occur informally, which can provoke internal conflict and inefficiencies (Khoury et al., 2024).

These descriptive results cement the notion that family relations are key to functioning in Palestinian industrial family firms. They also suggest a cultural preference divided between maintaining family unity, legacy, and emotional bonds, in coherence with the Socioemotional Wealth (SEW) framework (Gómez-Mejía et al., 2007). Nonetheless, depending on the phase of the firm, such a situation must be kept in check by proper governance mechanisms.

Likewise, the analysis of the CG produced a very strong agreement, with an aggregate average of 4.063 and 87.0% positive feedback. It may signify a slight lean towards favorable views of governance practices among respondents, though this must be taken in the context of largely informal and relationship-based business operations in Palestine (Samara, 2021).

Anti-Takeover Provisions (ATP) is the CG sub-dimension with the highest ranked index (mean = 4.095), followed closely behind by the Board (BRD) dimension (mean = 4.054). These findings suggest that while formal external safeguards, such as takeover resistance, are indeed acknowledged, internal governance through board effectiveness is also highly appreciated. This consideration is particularly important in the context of Palestine, where regulatory protections are weak, and family firms often stand as their self-regulated entities (Baughman et al., 2021).

Compensation and Ownership (CAO), with an index mean of 4.040, shows faith in reward systems that are equitable and transparent. Relying on earlier studies presenting favoritism and nepotism as challenges in family firms (Wu et al., 2024), this high rating

may indeed indicate a move toward the promotion of governance structures that are more professional and govern fairly. However, the medium scores of agreements on some items in BRD and CAO cast some doubt on the uniform application and acceptance of all governance practices.

Thereon rest the twofold nature of governance in Palestinian firms: as a tool of accountability and a mediator in family matters. Governance mechanisms, therefore, must be constructed by taking into account not only Western approaches but also local nuances, given the cultural sensitivities and socio-political instability in the region (Rustam & Narsa, 2021). The same can be said regarding hybrid governance models that have since been on the rise in Palestinian firms, with family symbolism being on the surface and in the background being real advisory boards or professional managers (Jaradat, 2024).

Business Performance recorded an overall weighted average (mean) higher than the other two constructs (mean = 4.105), with 89.5% of the respondents giving positive feedback. This meant that the respondents felt that their businesses were doing well despite the adverse external environment they found themselves. Overwhelmingly high scores were recorded for all twelve BP items: perceptions of profitability, market position, growth, and operational efficiency.

This is indeed a prime discovery, given the political instability, limited mobility, and inadequate infrastructure prevailing on the Palestinian landscape, all interacting to undermine business operations (PCBS, 2024). Above-average performances might have been obtained because of strong kinship ties, and good governance inciting adaptation and resilience, as supported by Mzid et al. (2019). Often, these firms draw on their internal social capital, community trust, and informal networks to deal with external uncertainty (Brigham & Payne, 2019).

Especially high-performance ratings recorded in BP1 and BP3 (92.4 percent and 92.2 percent positive responses, respectively) point to the respondents' belief in their business reputation and competitive position. Akella and Eid (2018) also found that social legitimacy and family reputation are considered prerequisite keys for market survival in Palestine. However, the very high-level perception of performance reflects that business success for family firms is multifaceted, with non-financial goals such as legacy-building and social responsibility being just as important (Basco, 2013).

Consistent high scores across BP items suggest that strategic agility, a primary element in conflict-prone settings, is recognized and institutionalized in these enterprises (Ononiwu et al., 2024). It is worth noting that the results are based on self-reported measures that may be subject to optimism bias or cultural predisposition to manifest strength and resilience.

### **5.3 Family Dynamics and Business Performance**

Family dynamics play a fundamental role in shaping the performance of family businesses, especially within unique and challenging environments such as the Palestinian industrial sector. The results from this study provide compelling evidence supporting Hypothesis 1, which proposed a positive and significant effect of family dynamics on business performance. The standardized path coefficient ( $\beta = 0.198$ ,  $p = 0.003$ ) confirmed that strong, cohesive family relationships significantly contribute to the overall performance of Palestinian industrial family firms. This finding aligns with existing literature suggesting that well-managed family dynamics foster strategic coherence, resilience, and long-term success in family enterprises (Miller & Le Breton-Miller, 2006).

Each of the five dimensions of family dynamics examined in the study, Family Control and Influence (FCI), Identification with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment (EAF), and Renewal through Dynastic Succession (RDS), had a statistically significant impact on business performance. Family Control and Influence exhibited the strongest effect ( $\beta = 0.202$ ), reinforcing the importance of family leadership in shaping organizational strategy and decision-making. In the Palestinian backdrop, where patriarchal systems and deference to elders are culturally embedded, founding ones or senior paternal figures keep large chunks of power over the enterprise. While such clinging to power will provide greater stability and direction for the operations, the drawback is that it limits the scope for inclusion of differing viewpoints or the promotion of innovations (Sultan et al., 2024; Zellweger et al., 2012).

Identification with the firm ( $\beta=0.189$ ) indicates that family members tend to perceive the business as a manifestation of their identity. This psychological ownership breeds commitment, long-term orientation, and a moral responsibility for the outcome of the firm. In the Palestinian culture, where social prestige and family honor carry great weight, the formation of identity adds symbolic and emotional significance to the business operations. This finding lends support to socio-emotional wealth (SEW) theory, which dwells on the family business's non-economic goals such as solidarity of family identity, continuity, and preservation of legacy (Brigham & Payne, 2019; Gómez-Mejía et al., 2007).

These are Binding Social Ties (BST) with a path coefficient of  $\beta = 0.186$ , giving more weight to interpersonal relationships amongst family members. Herein, these bonds are informally coordinated with one another, conflicts are resolved, and people ask for support from each other. Among others, in places such as Palestine, where institutional mechanisms for legal enforcement and business regulation may be weak or inconsistently

applied, the social capital, therefore, becomes the most important asset for operational resilience and crisis management (Samara, 2021; Weimann et al., 2021). The high levels of agreement obtained for this dimension indicate that Palestinian family firms greatly depend on their internal relationships to get work done and to keep peace.

Emotional Attachment of Family Members (EAF), with  $\beta = 0.196$ , holds paramount importance since such affective commitment maintains motivation and perseverance within family members for the sake of the business. These emotional investments often sustain the business through external shocks, such as political instability, military conflict, or market disruption, which are recurrent in the Palestinian industrial landscape (Abdelaziz, 2021). However, unchecked emotional attachment can hinder objective assessments, delay necessary restructuring, or protect underperforming family members due to sentimental bias. Thus, while emotional bonds are largely beneficial, they require balance through strategic and merit-based governance (Eddleston & Kellermanns, 2007).

Renewal through Dynastic Succession (RDS), though slightly lower in its impact ( $\beta = 0.140$ ), is nonetheless significant. This dimension reflects the cultural and strategic emphasis placed on passing the business from one generation to the next. Palestinian family firms often function as intergenerational economic vehicles, and their longevity is frequently tied to the successful transfer of leadership and vision. However, many such transitions are conducted informally and without clear succession planning, leading to leadership vacuums, power struggles, or misalignment in strategy (Chalhoub, 2025; Ferrari, 2023). Therefore, while dynastic succession is a cultural imperative, it must be complemented by structured preparation and competence-based selection processes.

From a theoretical perspective, the findings support both Stewardship and Agency theories in understanding the role of family dynamics in business performance. According

to stewardship theory, family members act as responsible stewards of the business, motivated by a set of values and a desire to see the legacy preserved (Miller & Le Breton-Miller, 2006). This is consistent with the display of high IFF and EAF analyzed in the study, which demonstrates commitment, binding trust, and continuity. According to Agency theory, overlapping ownership and management pose serious risks, especially in the absence of formal structures. Intra-family conflicts, blurred role definitions, and generational clashes result in inefficiency, strategic paralysis, and poor performance (Blanco-Mazagatos et al., 2016; Jensen & Meckling, 2019). Family dynamics, unfettered by good management, become liabilities when no good governance mechanisms are in place.

This confers a special touch to the Palestinian context of these findings. Palestinian industrial family firms are navigating a risky-high-low institutional setting, accentuated by restrictions on movement, lack of clarity on regulatory norms, and intermittent paucity of access to external capital (Morrar & Baba, 2022). In such an environment, family characteristics are not just internal cultural features; they are strategic assets. Besides providing jobs to extended family members, supporting local communities, and fostering national economic resilience, the said firms also perform some more generalized societal functions. The familial system represents an alternative to formal institutions; therefore, internal harmony and trust are of utmost importance for its existence (Khoury et al., 2024; Lipinski & Shomali, 2024).

The descriptive part of the findings further emphasizes the role of demographic factors in shaping the family dynamics. The majority of the respondents were male (79.1%) and older than 40 years (55.8%). This situation suggests a leadership structure grounded in seniority and traditional authority. Within such systems, leadership continuity and experience can be good things, but they can also stifle innovation by restraining

younger family members and female members from joining. Thus, further attempts should be made toward constituting alternative leadership models that would honor the existing concepts and embrace inclusive family practices with generational renewal (Aghabekian, 2019; Sultan et al., 2024).

Compared with the past, respondents have a considerably good level of education, with 77.3% even having a bachelor's degree or above. This educational background holds the reverse side with respect to the positive perception of family dynamics and business performance: an educated population is more conscious of professional management practices, of succession planning, and even of strategic alignment (Nasr et al., 2025). Another case is that the existence of most of the surveyed firms (more than 76% operating for more than ten years) points to a mature and stable basis able to build strong family business relationships and embed cultural values into business operations.

The findings unequivocally set forth family dynamics as an important factor affecting the business performance of Palestinian industrial family companies. Each of the five dimensions individually contributes to the internal coherence, structuring, resilience, and growth of the organization. These family dynamics are deeply ingrained in the cultural environment and emotional landscape; however, they work at their best when a fine balance exists between tradition and modernization, between emotional upbringing and rigorous discipline. For firms to stay competitive and sustain themselves in Palestine, there is an imperative need to imbibe their family values into the governance structures, professional development setups, and long-term scientific strategy. Family cohesion is surely a strong asset, but its power can be harnessed best with a formal and conscientiously managed approach.

#### **5.4 Family Dynamics and Corporate Governance**

The relationship between family dynamics and corporate governance is deeply interwoven, particularly in the context of family-owned businesses where the boundaries between family and organizational systems are blurred. In Palestinian industrial family firms, this relationship becomes even more critical due to the fragile institutional environment and the dominant role of the family in business operations. This section discusses the results supporting Hypothesis 2 (H2), which proposed a significant positive effect of family dynamics on the implementation and quality of corporate governance. The empirical findings ( $\beta = 0.870$ ,  $t = 33.248$ ,  $p < 0.000$ ) strongly affirm this hypothesis, highlighting the substantial influence that intra-family relationships exert on the design and efficacy of governance systems.

Five dimensions of family dynamics were considered in this study: Family Control and Influence (FCI), Identification with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment of Family Members (EAF), and Renewal Through Dynastic Succession (RDS). All these dimensions positively and significantly affected governance simultaneously, as evidenced by the findings of their sub-hypotheses (H2a–H2e). For example, the highest influence on governance was attributed to FCI ( $\beta = 0.212$ ), indicating that the concentration of power to make decisions within the family is a major factor in the adoption and maintenance of governance structures.

This goes in line with the earlier findings suggesting that family control is more often perceived as an agency risk, yet can serve as a source of governance when coordinating mechanisms of shared values and mutual accountability are in place (Scholes et al., 2021; Zellweger et al., 2012). In such contexts, such as in Palestine, where regulatory bodies on the outside are inconsistent or weak, governance thus becomes a function of internal discipline, which is very much a product of family authority and

tradition (Samara, 2021). When family leadership is respected and instead of authoritarianism, stewardship prevails, the setting up of advisory boards, succession planning frameworks, and conflict resolution mechanisms takes place. These processes are, in fact, the foundation of worthy governance.

The other dimension of significant influence upon governance was the IFF ( $\beta = 0.198$ ). This tells us that when family members consider a business an extension of their own identity, they favor the existence of formal governance measures. This identification is conducive to fostering long-term orientation, strategic patience, and ethical, the very traits needed to ride out governance systems through turbulent waters (Gómez-Mejía et al., 2007). Palestinian family members exhibiting a high identification with their firms are likely to be in favor of transparent management structures and policies that ensure firm communication from one generation to another.

Binding Social Ties (BST), with a path coefficient  $\beta = 0.196$ , emphasize how these informal networks guide the formal governance behavior. In many Palestinian family companies, where formal roles may be ambiguous and regulations loosely enforced, the trust-based relationships between family members often act as substitutes for legal contracts and institutional oversight (Weimann et al., 2021). These social ties solve conflicts, allocate duties, and maintain organizational integrity. While such informality could perhaps work in smaller or fledgling companies, what appears from this study is that once the companies mature, relational norms constitute the basis of a more formal governance mechanism. Basically, strong social ties create internal trust that could become the transition path from informal to formal governance structures.

Emotional Attachment (EAF), therefore, with a positive impact on governance ( $\beta = 0.206$ ), means that the stronger the affective commitment of family members to a firm, the more motivated they would be to institutionalize processes that protect the future of

the firm. Thus, emotional attachment acts as a strong motivator for the establishment and sustenance of governance structures, particularly those related to succession planning, ethical behavior, and merit-based leadership (Abdelaziz, 2021). However, the studies also warn against the dangers that may arise from too much emotional involvement, such as resisting change or resolving conflict (Eddleston & Kellermanns, 2007). The results of the current research imply that in Palestinian companies, emotional attachment does not inhibit governance activities; rather, it complements them in structured mechanisms.

The final dimension, Renewal through Dynastic Succession (RDS), although slightly weaker in magnitude ( $\beta = 0.147$ ), still exerts a significant influence on governance. Succession is perhaps one of the most challenging governance issues faced by family firms, especially in cultures that give priority to hierarchy and seniority instead of formal planning. Succession in the Palestinian context is largely informal and guided by culture rather than strategic forethought (Chalhoub, 2025). However, the positive relation between RDS and governance in our study indicates that firms considering intergenerational continuity tend to associate with formal succession planning and leadership development frameworks. These firms not only develop a plan for the transfer of power but also focus on maintaining organizational effectiveness.

The theoretical basis for such findings rests on the agency and stewardship theories. Stewardship theory entails family members acting out of a feeling of responsibility and loyalty, in the best interests of the firm (Miller & Le Breton-Miller, 2006). This understanding is reflected in the high levels of affective commitment, identification, and familial trust resulting from the study, all of which contribute to the building of governance structures that maintain harmony and optimize performance. Agency theory, on the other hand, warns that where formal governance is absent, self-interest and family conflict will abate decision-making and the very organizational

performance that ought to be achieved (Jensen & Meckling, 2019). Hence, the study favors a combination of these two views: although emotional and relational capital constitute a must, if they are not converted into governance structures, agency problems will arise that can jeopardize the sustainability of the firm.

Furthermore, the Palestinian cultural and institutional context deserves to be recognized. The absence of reliable legal enforcement, fluctuating economic conditions, and ongoing political uncertainty make the stakes of internal governance in family businesses very high (Ali et al., 2021; Morrar & Baba, 2022). This makes family relationships not just fortuitous to governance but primary mechanisms through which governance is developed and maintained. The ability of families to construct systems that are culturally acceptable and enforceable internally in the absence of legislative or regulatory pressure hinges upon strong family bonds, emotion, and intergenerational loyalty (Jaradat, 2024).

Empirical studies from other contexts also support this argument. Rustam and Narsa (2021) reported that family cohesiveness was a better predictor of governance adoption than external pressures in Indonesian family firms. Zellweger et al. (2019) also claimed that relational governance, which stems from familial trust, can be an effective substitute for formal institutions in emerging economies. The findings from the present study extend these insights to the Palestinian context, confirming that family dynamics play a direct and critical role in governance quality.

From a practical viewpoint, family firms have to institutionalize their values by drafting proper governance policies, putting together a family constitution and advisory boards, and setting out roles and responsibilities along with formal succession plans. Perhaps even more so is leadership training for youth and the empowerment of diverse family voices in decision-making processes to put forth governance reform. Policymakers

and development agencies that support Palestinian businesses should recognize the importance of family dynamics and offer culturally congruent frameworks for both relational and procedural governance aspects.

As a conclusion, the study confirms how family dynamics are not simply an extra social force acting within Palestinian industrial family businesses, but that they also structurally determine the quality of governance. Emotional investment puts family members in a much better position to identify with the firm and maintain governance structures, through long-term succession plans so solidly built on trust. These internal dynamics compensate for external institutional weaknesses while ensuring continuity, accountability, and strategic alignment. Thus, the strength of family dynamics and their alignment with formal governance practices are critical for the sustenance and growth of family businesses in the challenging socio-economic climate of Palestine.

## **5.5 Corporate Governance and Business Performance**

Corporate governance (CG) plays an important role in sustaining industrial relations in the economic realm, for accountability, and for the achievement of strategic industrial accomplishments. For family-owned enterprises, governance works in a different way-it has both economic and social functions. Corporate governance, whether applicable to industrial family firms in Palestine, acts as the lot structure and means of survival in political instability, weak legal institutions, and informal operational norms existing around the country. This part of the report deals with the findings regarding Hypothesis 3 (H3), which states that there exists a strong positive relationship between corporate governance and business performance. The hypothesis was strongly supported with a path coefficient of  $\beta=0.725$ ,  $t=11.420$ ,  $p<0.000$ , hence denoting a strong and significant impact of governance on the outcome performance.

The empirical results emphasize that the traditional governance mechanisms can reinforce business performance in family firms. These mechanisms may include organized boards of directors, anti-takeover measures, and systems that allocate compensation based on performance. Those governance mechanisms help clarify decision-making, reduce internal conflict, and generate cohesive strategic approaches. In an environment as volatile as Palestine, not merely best practices—they are strategic imperatives. Due to the lack of external institutional reliability, family enterprises must, therefore, put more trust in internal governance mechanisms to enhance transparency, resilience, and business continuity (Ali et al., 2021; Jaradat, 2024).

Previously, among various dimensions of corporate governance considered in this study, all three dimensions studied of Board (BRD), Anti-Takeover Provisions (ATP), and Compensation and Ownership (CAO) were found to have positive effects on performance. On the other hand, the BRD dimension is said to address the efficacy of board structures in regard to composition, advisory role, and oversight responsibilities. Taking decision-making into their own hands, the family businesses in Palestine have traditionally been run rather informally under some form of kinship, but the use of structured boards has become increasingly common, especially in those firms focusing on longevity and growth. Boards, in turn, bring different perspectives, strategy discipline, and reduction of decision-making bias through the introduction of formal checks and balances (Mustakallio, 2002; Umans et al., 2020). The empirical findings suggest that firms with active and functioning boards establish superior financial and strategic performance, congruent with international studies on board effectiveness (Tjahjadi et al., 2021; Zhang et al., 2023).

Whereas the ATP dimension focuses on mechanisms to prevent hostile takeover or internal takeover during succession, it also emerged as an important contributor to

performance. In Palestinian settings, anti-takeover measures may not necessarily be of the sophisticated legal variety; rather, they generally rely on internal protocols, family constitutions, and agreements on inheritance that maintain control and ensure continuity. When these informal mechanisms are translated into governance practices, they enable the preservation of socioemotional wealth (SEW) in the family, while simultaneously safeguarding the strategic interests of the company (Brigham & Payne, 2019; Gómez-Mejía et al., 2007).

The CAO dimension also stresses the essence of fairness, meritocracy, and financial transparency. Rewarding people based on their performance, and not family status, is a prerequisite for stimulating motivation in the organization, attracting outside professionals, and promoting sustainability in terms of public perception toward firms. Traditionally, especially in Palestine, compensation in many family businesses is determined by family hierarchy, emotional feelings, or informal agreements, thereby generating perceptions of favoritism or unfairness. This study showed that firms implementing performance-linked compensation and equitable ownership structures experience improved organizational performance. This is consistent with the theoretical literature that focuses on the need to place incentives in alignment with business objectives so as to reduce agency costs and improve productivity (Aggarwal et al., 2011; Sadiq & Gebba, 2022).

From a theoretical view, corporate governance is positively linked to business performance as per both Agency Theory and the Resource-Based View (RBV) of the firm. Agency theory argues that governance mechanisms are necessary to mitigate conflicts of interest between principals (owners) and agents (managers), and this is a problem particularly acute in family businesses where these roles overlap (Jensen & Meckling, 2019). In the Palestinian family business context, where management and ownership are

held by the same family, agency problems assume alternative forms: favoritism, entrenchment, and intergenerational disputes. Governance structures such as boards, succession mechanisms, and financial audits serve to formalize authority while guaranteeing accountability and minimizing inefficiencies of an agency.

According to RBV, a firm achieves competitive advantage when it leverages resources that are valuable, rare, inimitable, and non-substitutable (VRIN). In family firms, intangible resources such as trust, tacit knowledge, and intergenerational commitment are the most crucial assets (Barney, 2001). Good governance mechanisms are crucial to the strategic use of strategic assets by setting up organizational routines, laying down institutional memory, and formalizing the decision-making processes. Therefore, governance-assisted institutions perform better than those relying solely on informal practices to institutionalize values and relationships (Ionita & Dinu, 2021).

Still, empirical evidence from other developing economies provides more support for governance-related issues in the family business context. Mihotić et al. (2023) concluded that, in periods of economic crises, family firms with strong governance were more resilient. Zapata-Cantu et al. (2023) found that governance quality promoted innovation capacity and adaptability in family firms undergoing digital transformation. Given that external shocks are recurrent in Palestine, such resilience and adaptiveness are imperative for survival.

The study findings also indicate an increasing trend of hybrid governance models in Palestinian family firms. These models thus combine traditional family leadership with more modern corporate governance concepts. As an instance, many of the older generations may have symbolic leadership positions with operational authority devolved to professional managers or advisory boards. Such arrangements uphold the family values while enabling agility and strategic responsiveness. This hybrid model, in particular, is

good at smoothing generational differences and at aligning the firm's emotional capital along with its performance objectives (Scholes et al., 2021).

Despite the obvious benefits, challenges are still faced in the implementation of these structures. The descriptive analysis also revealed sets of items in the board and compensation domains with variability in the degree of agreement--reflecting inconsistent governance practices. Some organizations may provide governance in name only by having the formal titles and policies existing somewhere among their weighty and measures of documents, with no associated transformation in behavior or culture. In accord with Eddleston et al. (2013), governance improves organizational results only if all stakeholders accept it and internalize it. Resistance to governance might mount from deeply rooted patriarchal norms, fear of losing control, or an inability to appreciate the benefits of governance.

Governance reforms also have to be sensitive to cultural values. In Palestine, formal rules could sometimes appear to be hostile to traditional norms of trust, seniority, and familial authority (Holzinger et al., 2016). Therefore, effective governance mechanisms should be tied into the local culture, emphasizing consensus, respect, and inclusion, rather than mere compliance. While international models such as those endorsed by the International Finance Corporation (IFC) may provide some templates, they must be locally adapted (Yeo, 2025).

In essence, these observations come forth with diverse practical implications for commercial family business actors, consultants, and policymakers. Firstly, governance training and education should be imparted to family members, particularly the young generation, to nurture a culture of professionalism and accountability. Secondly, more mechanisms such as family councils, advisory boards, and succession committees need to be encouraged, to instill governance formally without putting at stake family trust.

Thirdly, public and private-sector institutions that support SMIs should come forward with governance toolkits tailored to the specific context that posit a delicate balance between best practices and cultural considerations.

At its base, the study powerfully critiques the claimed statement that corporate governance boosts business performance in Palestinian industrial family firms. With a properly established governance structure, firms can better align their strategic directions, reduce conflicts, determine transparent compensation, and perform better succession planning. These systems are especially vital in the Palestinian context, where firms operate under persistent uncertainty and weak institutional oversight. The ability to institutionalize family values and transform relational capital into strategic processes is what differentiates high-performing family firms from others. For family-owned businesses to thrive in such environments, governance is not a luxury but a necessity that aligns tradition with transformation and ensures continuity with competitiveness.

## **5.6 The Moderating Role of Corporate Governance between Family Dynamics and Business Performance**

The dynamic relationship between family involvement and business success is a hallmark of family enterprise research. However, this relationship is not always linear or consistent. Contextual and organizational factors often mediate or moderate how internal family characteristics affect firm outcomes. One such moderating factor is corporate governance. In the present study, Hypothesis 4 (H4) proposed that corporate governance moderates the relationship between family dynamics and business performance, such that the relationship is stronger when governance mechanisms are effectively implemented. The empirical findings confirmed this hypothesis, with the interaction term (FD × CG → BP) showing a statistically significant effect ( $\beta = 0.015$ ,  $t = 1.686$ ,  $p = 0.046$ )

Though the path coefficient of the moderation effect was relatively small, its statistical significance supports the theoretical assertion that governance mechanisms condition how family dynamics translate into organizational performance. More importantly, the results of the sub-dimensions (H4a–H4e) reinforce this view. Each component of family dynamics, Family Control and Influence (FCI), Identification with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment (EAF), and Renewal through Dynastic Succession (RDS), was found to have a stronger positive influence on business performance when moderated by effective governance. For instance,  $FCI \times CG \rightarrow BP$  had a high path coefficient ( $\beta = 0.153, p < 0.001$ ), underscoring that governance enhances the strategic utility of centralized family leadership.

The findings are in line with the Agency Theory and the Stewardship Theory. Agency Theory holds the view that family conflicts can arise in the absence of proper governance structures, leading to issues in areas like succession, compensation, or decision-making (Jensen & Meckling, 2019). Governance structures, therefore, serve to reduce such risks whenever applicable—a classic example being the advisory board, succession committee, and performance evaluation. According to Stewardship Theory, however, family members feel a responsibility to protect and build on the legacy of the firm. In this respect, governance serves to institutionalize trust-based behavior and facilitate conjoint leadership arrangements (Miller & Le Breton-Miller, 2006).

The moderating role of corporate governance becomes especially important in volatile and institutionally weak environments like Palestine. As noted earlier, Palestinian family businesses operate under persistent challenges, including political instability, legal ambiguity, capital restrictions, and infrastructural deficiencies (Morrar & Baba, 2022; PCBS, 2024). In such settings, formal external oversight is often unreliable or absent. Therefore, internal governance mechanisms serve as the primary means of ensuring

strategic discipline, fairness, and continuity. This means that corporate governance does not merely support business operations—it becomes the central axis through which family values and relationships are aligned with business imperatives.

Empirical evidence supports this moderation. For example, Zellweger et al. (2012) emphasized that governance arrangements motivated by the preservation of socioemotional wealth (SEW) are more effective when family members strongly identify with the firm and value continuity. This is especially true in Palestine because the emotional, relational, and identity-based considerations lie at the heart of family firm activities (Khoury et al., 2024). Governance, therefore, transforms these non-economic considerations into strategic actions such as reinvestment, innovation, and succession planning.

The findings also resonate with research into hybrid governance models in developing economies, in which traditional family control is grafted onto modern governance systems to create context-aware arrangements (Arteaga & Escribá-Esteve, 2021). Thus, advisory boards comprising trusted family elders from the entrepreneurial family and professional managers who guide consensus-based decisions with strategic foresight may combine the best aspects of tradition and modernity. Likewise, succession protocols that emphasize mentorship and performance appraisals help to mitigate nepotism at the same time that they acknowledge and eschew the primacy of family legacy. The moderation outcomes of our study suggest that such hybrids are especially conducive to reinforcing the beneficial effects of strong family dynamics on firm performance.

This is substantiated by the sub-dimension analysis. Family Control and Influence (FCI), when governed, yielded a performance upgrade (H4a:  $\beta = 0.153$ ,  $t = 9.672$ ). This tells us that strong centralized power of a family in the business makes for better decisions

if there are governance enforcements. Decisions are made with the family in control of the business, while holders are only accountable under governance and are required to provide input on merit. Centralized governance without this check can lead to an autocracy that discourages invention and does not create clear roles.

In the same manner, Identification with the Firm (IFF) had the greatest relationship with performance when governance structures were implemented (H4b:  $\beta = 0.143$ ,  $t = 9.865$ ). Sometimes, family members harbor a strong feeling of association with the enterprise and become overprotective, resist outside counsel, or cannot hand off. Governance structures act as a corporate framework within which such identification can find expression in sustainable behaviors such as deliberate reinvestment, formal transparency in decision-making, and balanced interaction with stakeholders (Brigham & Payne, 2019; O'Reilly & Chatman, 1986).

Binding Social Ties (BST), representing interpersonal trust and cooperation within the family, was also significantly moderated by governance (H4c:  $\beta = 0.141$ ,  $t = 9.912$ ). While such ties promote cohesion and resilience in parallel, they encourage the opposite of favoritism, or conflict avoidance. Governance mechanisms act as a neutralizing force, balancing familial bonds with meritocratic principles and institutional fairness (Weimann et al., 2021). Such a balance becomes critical in Palestine, where informal systems overshadow their formal counterparts.

Emotional Attachment (EAF), which is usually referred to as a double-edged sword in family businesses, was found to be positively associated with performance whenever there are strong governance mechanisms (H4d:  $\beta = 0.149$ ,  $t = 9.937$ ). Emotional commitment inspires action and perseverance, but also undermines boundaries between family loyalty and business rationality. Governance instills objectivity into an emotionally charged environment so that decisions can be made on matters of performance, strategy,

and market logic rather than personal feelings (Eddleston & Kellermanns, 2007; Nasr et al., 2025).

Renewal through Dynastic Succession (RDS) has been proven to benefit from the presence of governance structures (H4e:  $\beta = 0.106$ ,  $t = 9.570$ ). Intergenerational continuity is an essential goal for family companies, but if succession is unstructured, it may lead to leadership voids, family disputes, and strategic drift (Ferrari, 2023). Governance structures institutionalize the succession by way of well-defined criteria, mentorship programs, and transition leadership assignments, all geared to ensure that the succession process improves and does not impede performance.

This entails considerable practical import. For family businesses, it is crucial to understand governance as an enabler to performance rather than a bureaucratic headache. To implement governance does not imply surrendering control of the family; it implies codifying values, clarifying accountabilities for decision-making, and establishing formal processes. For instance, these firms could install advisory boards featuring both family members and outsiders; establish transparent systems around remuneration; and develop manifestly clear succession plans. Consequently, the family may professionalize itself while still preserving its identity and culture.

These results provide grounds for policymakers and development organizations to advocate for governance training and resources specifically tailored to family businesses, in accordance with culture. Instead of forcing upon them rigid international models, the support should go towards creating capacity for hybrid governance systems that reflect their cultural values and address the weaknesses in their current systems from a performance point of view. It can include training workshops related to succession planning, mentoring programs, as well as toolkits for conflict resolution and carrying out board restructuring.

## **Conclusion**

This chapter has conducted an exhaustive study of the empirical findings with regard to relationships among family dynamics, corporate governance, and business performance in Palestinian industrial family businesses. The results validated the central hypothesis that family dynamics have an important positive relationship with business performance. Each of the five dimensions of study-Family Control and Influence (FCI), Identification with the Firm (IFF), Binding Social Ties (BST), Emotional Attachment (EAF), Renewal through Dynastic Succession (RDS)-significantly and positively affected firm performance. These dynamics are entrenched cultural behaviors and emotional commitments that, if properly administered, constitute strategic resources in the working and growth of family businesses.

Corporate governance is proven to have a strong positive impact on firm performance. Along this line of thinking, it is important to institutionalize governance practices relating to board oversight, anti-takeover protection, and fair compensation systems, thereby increasing transparency, accountability, and clarity of strategy. From a Palestinian perspective, in an environment in which businesses are operating with high risk and low regulation, corporate governance thus appears to be paramount, shedding off its merely formal role and serving as an essential tool towards ensuring organizational resilience and sustainability.

In further results, it was brought to light that family dynamics tremendously influence the way corporate governance is implemented and even its quality. Firms that have close-knit, emotionally attached, and strategically aligned family relations stand the best chance of putting in place and effectively maintaining governance structures. Since there is such dependence, in the case of Palestinian family firms, governance implementations are not something that is externally "landed on" them but instead

constitute a particular set of internal family values and relationships based on trust. This further strengthens the view of culturally embedded governance in such contexts.

Most importantly, the study confirmed that corporate governance serves as a moderating variable impacting family dynamics and business performance. In other words, family dynamics combined with a system of governance and well-working mechanisms actually increase performance positively. This moderating role emphasizes the importance of institutionalizing family strengths through structured processes and accountability systems. Hence, emotional commitment and relational capital are, of course, helpful but must ultimately go through governance channels to be strategically leveraged.

The absence or unreliability of proper institutional setups on the socio-political level in Palestine has heightened the focus on the nexus between family dynamics and governance. Family businesses here operate both as economic and social institutions, and their survival rests on balancing cultural continuity with strategic modernization. The outcomes imply that by linking family-oriented relational capital to formal governance, it should be possible to improve Palestinian family firms' capacity to adapt, compete, and be judged positively on a longer time horizon.

## **Contribution**

### **Theoretical Contribution**

- First, the study enriches the Socioemotional Wealth (SEW) theory by empirically validating how emotional and relational family assets, such as family control, emotional attachment, and dynastic succession, positively influence business performance. By decomposing family dynamics into five measurable dimensions

and linking them individually to performance outcomes, the study extends SEW's conceptual boundaries and operational clarity.

- Second, the research contributes to the agency–stewardship debate by illustrating how family members may act simultaneously as stewards of the firm (driven by commitment and identity) and as potential sources of conflict (due to overlapping roles and emotional bias). The results affirm that well-functioning corporate governance mechanisms mitigate agency risks and institutionalize stewardship behaviors, particularly when family dynamics are strong.
- Third, the study introduces corporate governance as a moderating variable, adding a novel layer to existing models that typically consider governance as an independent driver. By confirming that governance strengthens the relationship between family dynamics and business performance, the research provides a more nuanced understanding of governance as a conditional enabler, rather than a uniform solution.
- Lastly, this work offers a context-specific framework for family businesses operating in conflict-affected regions. It addresses a gap in the literature by focusing on Palestinian industrial family firms, whose challenges, limited institutional support, resource constraints, and cultural norms are underrepresented in mainstream governance and family business research.

### **Practical Contribution**

- The research offers family business leaders a diagnostic tool for assessing the internal family dynamics across five critical dimensions. Family business leaders who understand the strategic importance of these five dimensions can focus on cohesion and decision-making or on resolving conflicts. The second finding

stresses the need to move from informality to formal governance, such as advisory boards, clear succession plans, and performance-based remuneration, while respecting their cultural values.

- For practitioners and consultants, the research guides the appropriate use of governance mechanisms in culturally sensitive environments. The moderating role of governance implies that interventions should institutionalize, rather than oppose, traditional authority to foster accountability and enhance strategic clarity.
- For policymakers and development agencies, the study underlines the need for tailored governance training and support mechanisms. Instead of imposing foreign governance models, support initiatives should promote hybrid governance systems that align with familial structures and socio-cultural norms prevalent in Palestine and similar regions.
- Ultimately, the study presents a roadmap for enhancing the sustainability and performance of family businesses by bridging the relational strength of families with the structural discipline of governance, especially in environments where external institutional scaffolding is weak or absent.

## **Practical Implications and Recommendations**

### **Practical Implications for Practitioners**

- **Formalize Informal Strengths:** While Palestinian family businesses rely heavily on trust, loyalty, and shared values, these assets must be translated into structured governance frameworks. Practitioners should develop family constitutions, define roles clearly, and institutionalize communication channels to reduce ambiguity and prevent conflicts.

- **Establish Governance Mechanisms:** The presence of advisory boards, succession committees, and performance monitoring systems was shown to strengthen the link between family dynamics and performance. Practitioners are encouraged to adopt governance tools that support both business objectives and familial harmony.
- **Develop Succession Planning:** The study highlighted the role of dynastic succession in business continuity. Firms should move beyond inheritance-based leadership and implement structured succession planning based on merit, mentorship, and leadership development.
- **Balance Emotion with Objectivity:** Emotionality can be a resource, but it may prove to be a liability unless controlled. Those practicing family business matters must balance affective commitment with strategic decision-making by bringing in outside advisors or neutral facilitators when needed.
- **Invest in Governance Education:** Senior family members and those of the next generations should be trained in governance and leadership so that professionalism will be instilled into their mindset, and their capabilities will be enhanced to adjust and grow in this increasingly complex and competitive environment.

### **Practical Implications for Policymakers**

- **Support Culturally Adapted Governance Frameworks:** Policymakers should allow the cultivation of hybrid governance systems that recognize familial authority while making businesses liable rather than imposing Western systems that may be at odds with local traditions.

- **Create Governance Toolkits and Training Programs:** Governmental and non-governmental institutions may aid family businesses through the provision of easy-access resources on good governance practices, such as a model family constitution, succession plan templates, or board guidelines for SMEs.
- **Incentivize Good Governance Practices:** With the help of tax incentives, financing opportunities, and an accreditation scheme, among others, family businesses can be encouraged to formalize governance structures compatible with development objectives and investor expectations.
- **Encourage Generational Transition Programs:** Public initiatives can assist intergenerational transfer of knowledge in the form of subsidies to mentorship schemes and leadership incubators toward the education of younger family members of the business.
- **Strengthening Legal and Institutional Support Systems:** To enhance internal governance, family enterprises will require a stronger external institutional environment with improved dispute resolution, contract enforcement, and regulatory clarity.

### **Recommendations for Future Studies**

- **Expand Geographic Scope:** Future studies should explore family businesses in other regions of Palestine, including Gaza, or in neighboring countries with similar socio-political and cultural conditions. Comparative studies could reveal contextual differences or common governance patterns across Arab or Middle Eastern family firms.
- **Longitudinal Research Design:** This study employed a cross-sectional approach. Future research could adopt longitudinal designs to track changes in family

dynamics, governance structures, and performance over time, especially during leadership transitions or external crises.

- **Explore Generational Perspectives:** Further studies could investigate generational differences in perceptions of governance and family dynamics. Examining how first-generation founders and second or third-generation successors view strategic priorities may offer deeper insights into succession challenges and governance evolution.
- **Include Qualitative Approaches:** While this study used a quantitative method (PLS-SEM), future research could incorporate qualitative case studies, interviews, or ethnographic approaches to better capture the nuances of interpersonal relationships, cultural practices, and informal governance norms.
- **Examine Additional Moderators or Mediators:** Future work could explore other potential moderating or mediating variables such as leadership style, innovation capacity, external institutional support, or psychological ownership. These variables may further explain the mechanisms linking family dynamics and performance.
- **Sectoral and Size Variations:** Replicating the study across different sectors (e.g., services, agriculture, technology) or among small versus large family firms could help determine whether the relationships observed here hold consistently across varying business contexts.
- **Gender Dynamics in Governance:** With most respondents being male, future studies could specifically examine the role of women in family business governance and succession. Understanding how gender influences power dynamics and strategic decision-making remains an underexplored but vital area.

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## Appendices

### Appendix (A) Demographic Characteristics Analysis

<b>Variables</b>	<b>Options</b>	<b>Freq.</b>	<b>Valid Percentage %</b>
<b>Gender</b>	Male	302	79.1%
	Female	80	20.9%
<b>Age</b>	Less than 20 years old	22	5.8%
	From 20 to 30 years old	50	13.1%
	From 31 to 40 years old	97	25.4%
	More than 40 years old	213	55.8%
<b>Education Degree</b>	Nothing	3	0.8%
	High School	45	11.8%
	Diploma Degree	39	10.2%
	Bachelor's Degree	166	43.5%
	Master's or Higher Degree	129	33.8%
<b>Service Provider Sector</b>	Food products industry	9	2.4%
	Wood and cork products industry	6	1.6%
	The stone and marble industry	67	17.5%
	Solar energy and renewable energy industries	3	0.8%
	Paper industries	15	3.9%
	Pharmaceutical industries	22	5.8%
	Precious metals industry	3	0.8%
	Engineering and metal industries	30	7.9%
	Agricultural and food products industry	140	36.6%
	Soft drinks, juices, and the water industry	3	0.8%
	Metal industry	3	0.8%
	Metal and wooden furniture manufacturing	3	0.8%
	Chairs, tables, and desks factory	3	0.8%
	Trade	3	0.8%
	Concrete factory	3	0.8%
	Leather and footwear industries	45	11.8%
	Furniture	6	1.6%
	Chemical industries	6	1.6%

	Agricultural plows, trolleys, waste containers, etc.	6	1.6%
	Cosmetics products	6	1.6%
<b>Institution Location</b>	Qalqilya	9	2.4%
	Ramallah and Al-Bireh	93	24.3%
	Tulkarm	27	7.1%
	Nablus	66	17.3%
	Bethlehem	27	7.1%
	Hebron	106	27.7%
	Jenin	24	6.3%
	Tubas and the Northern Jordan Valley	6	1.6%
	Salfit	9	2.4%
	Jericho and the Jordan Valley	9	2.4%
	Jerusalem	6	1.6%
	<b>Institution Operation</b>	Less than 2 years	11
From 3 to 6 years		32	8.4%
From 7 to 10 years		48	12.6%
More than 10 years		291	76.2%
<b>Institution Size</b>	Medium (From 20 to 50 employees)	196	51.3%
	Large More than 50 employees)	186	48.7%
<b>Total</b>		<b>382</b>	<b>100.0%</b>

**Appendix (B)** Outer Loading of Indicators

<b>Construct</b>	<b>Questions</b>	<b>Outer Loading</b>
	<b>→ First Order</b>	
<b>FD</b>		
<b>FCI</b>	FCI1	0.859
	FCI2	0.885
	FCI3	0.866
	FCI4	0.876
	FCI5	0.876
	FCI6	0.798
<b>IFF</b>	IFF1	0.790
	IFF2	0.740
	IFF3	0.816
	IFF4	0.786
	IFF5	0.795
	IFF6	0.799
<b>BST</b>	BST1	0.801
	BST2	0.873
	BST3	0.905
	BST4	0.937
	BST5	0.910
<b>EAF</b>	EAF1	0.820
	EAF2	0.882
	EAF3	0.861
	EAF4	0.841
	EAF5	0.827
	EAF6	0.796
<b>RDS</b>	RDS1	0.801
	RDS2	0.723
	RDS3	0.767
	RDS4	0.779
<b>CG</b>		
<b>BRD</b>	BRD1	0.753
	BRD2	0.774
	BRD3	0.828
	BRD4	0.807
	BRD5	0.828
	BRD6	0.786
	BRD7	0.773
	BRD8	0.745
	BRD9	0.819
	BRD10	0.783
	BRD11	0.811
	BRD12	0.809
	BRD13	0.855
	BRD14	0.798
	BRD15	0.746
	BRD16	0.732
	BRD17	0.821

	BRD18	0.830
	BRD19	0.749
	BRD20	0.841
	BRD21	0.790
	BRD22	0.815
	BRD23	0.786
	BRD24	0.803
<b>ATP</b>	ATP1	0.837
	ATP2	0.834
	ATP3	0.848
	ATP4	0.820
	ATP5	0.876
	ATP6	0.877
<b>CAO</b>	CAO1	0.837
	CAO2	0.896
	CAO3	0.903
	CAO4	0.904
	CAO5	0.820
	CAO6	0.884
	CAO7	0.853
	CAO8	0.750
<b>BP</b>	BP1	0.895
	BP2	0.900
	BP3	0.893
	BP4	0.894
	BP5	0.859
	BP6	0.856
	BP7	0.769
	BP8	0.811
	BP9	0.827
	BP10	0.828
	BP11	0.858
	BP12	0.873
<hr/>		
<b>→ Second Order</b>		
<b>FD</b>	FCI	0.919
	IFF	0.910
	BST	0.925
	EAF	0.905
	RDS	0.877
<b>CG</b>	BRD	0.977
	ATP	0.964
	CAO	0.965

**Appendix (C) Result of Collinearity Statistics (VIF) for Indicators**

<b>Construct</b>	<b>Questions</b>	<b>VIF</b>
<b>FD</b> <b>FCI</b>	FCI1	3.421
	FCI2	4.263
	FCI3	2.946
	FCI4	3.225
	FCI5	3.225
	FCI6	2.198
<b>IFF</b>	IFF1	3.014
	IFF2	2.635
	IFF3	3.898
	IFF4	3.555
	IFF5	3.682
	IFF6	2.766
<b>BST</b>	BST1	1.988
	BST2	2.882
	BST3	3.843
	BST4	5.337
	BST5	4.422
<b>EAF</b>	EAF1	2.875
	EAF2	4.235
	EAF3	2.774
	EAF4	3.172
	EAF5	2.689
	EAF6	2.404
<b>RDS</b>	RDS1	4.159
	RDS2	3.293
	RDS3	2.440
	RDS4	2.633
<b>CG</b> <b>BRD</b>	BRD1	3.082
	BRD2	3.456
	BRD3	6.489
	BRD4	3.813
	BRD5	4.455
	BRD6	5.679
	BRD7	3.188
	BRD8	3.719
	BRD9	3.761
	BRD10	3.363
	BRD11	3.559
	BRD12	4.240
	BRD13	4.812
	BRD14	5.777

	BRD15	3.888
	BRD16	2.475
	BRD17	4.285
	BRD18	3.794
	BRD19	4.739
	BRD20	6.131
	BRD21	3.218
	BRD22	5.696
	BRD23	4.915
	BRD24	4.522
<b>ATP</b>	ATP1	2.433
	ATP2	2.461
	ATP3	2.589
	ATP4	2.286
	ATP5	3.409
	ATP6	3.480
<b>CAO</b>	CAO1	3.078
	CAO2	6.890
	CAO3	4.561
	CAO4	4.424
	CAO5	2.618
	CAO6	3.773
	CAO7	3.064
	CAO8	1.953
<b>BP</b>	BP1	5.976
	BP2	9.568
	BP3	8.199
	BP4	5.740
	BP5	4.596
	BP6	5.041
	BP7	2.616
	BP8	3.139
	BP9	3.590
	BP10	3.563
	BP11	4.106
	BP12	4.030

**Appendix (D) Result of Normality**

			Skewness		Kurtosis		Kolmogorov-Smirnov <sup>a</sup>		Shapiro-Wilk		
Construct	Q.#	N	Statistic	Std. Error	Statistic	Std. Error	Statistic	Sig.	Statistic	Sig.	
<b>FD</b>	<b>FCI</b>	FCI1	382	-1.853	0.125	5.327	0.249	0.346	0.000	0.671	0.000
		FCI2	382	-1.772	0.125	4.424	0.249	0.348	0.000	0.690	0.000
		FCI3	382	-1.741	0.125	4.139	0.249	0.334	0.000	0.702	0.000
		FCI4	382	-1.756	0.125	4.344	0.249	0.328	0.000	0.705	0.000
		FCI5	382	-1.653	0.125	3.161	0.249	0.371	0.000	0.697	0.000
		FCI6	382	-1.116	0.125	1.761	0.249	0.297	0.000	0.807	0.000
	<b>IFF</b>	IFF1	382	-1.653	0.125	4.529	0.249	0.356	0.000	0.697	0.000
		IFF2	382	-1.256	0.125	2.123	0.249	0.289	0.000	0.788	0.000
		IFF3	382	-1.658	0.125	4.749	0.249	0.333	0.000	0.700	0.000
		IFF4	382	-1.619	0.125	4.471	0.249	0.348	0.000	0.695	0.000
		IFF5	382	-1.597	0.125	4.336	0.249	0.326	0.000	0.716	0.000
		IFF6	382	-1.487	0.125	3.364	0.249	0.334	0.000	0.730	0.000
	<b>BST</b>	BST1	382	-1.405	0.125	4.346	0.249	0.352	0.000	0.699	0.000
		BST2	382	-1.727	0.125	5.257	0.249	0.366	0.000	0.677	0.000
		BST3	382	-1.917	0.125	6.942	0.249	0.356	0.000	0.636	0.000
		BST4	382	-1.946	0.125	7.007	0.249	0.351	0.000	0.640	0.000
		BST5	382	-1.716	0.125	5.162	0.249	0.340	0.000	0.696	0.000
	<b>EAF</b>	EAF1	382	-1.395	0.125	2.647	0.249	0.368	0.000	0.743	0.000
		EAF2	382	-1.506	0.125	2.710	0.249	0.377	0.000	0.720	0.000
		EAF3	382	-1.643	0.125	3.976	0.249	0.383	0.000	0.695	0.000
		EAF4	382	-1.312	0.125	2.108	0.249	0.345	0.000	0.764	0.000
		EAF5	382	-1.294	0.125	3.395	0.249	0.321	0.000	0.755	0.000
		EAF6	382	-1.827	0.125	6.293	0.249	0.355	0.000	0.664	0.000
	<b>CG</b>	<b>RDS</b>	RDS1	382	-1.853	0.125	5.858	0.249	0.357	0.000	0.660
RDS2			382	-1.716	0.125	5.341	0.249	0.342	0.000	0.689	0.000
RDS3			382	-1.682	0.125	4.600	0.249	0.360	0.000	0.689	0.000
RDS4			382	-1.582	0.125	4.579	0.249	0.351	0.000	0.699	0.000
<b>BRD</b>		BRD1	382	-1.582	0.125	4.336	0.249	0.352	0.000	0.700	0.000

	BRD2	382	-1.478	0.125	4.439	0.249	0.319	0.000	0.711	0.000
	BRD3	382	-1.611	0.125	3.025	0.249	0.367	0.000	0.717	0.000
	BRD4	382	-1.348	0.125	2.623	0.249	0.345	0.000	0.752	0.000
	BRD5	382	-1.562	0.125	3.910	0.249	0.341	0.000	0.717	0.000
	BRD6	382	-1.352	0.125	2.260	0.249	0.330	0.000	0.764	0.000
	BRD7	382	-1.103	0.125	2.048	0.249	0.297	0.000	0.801	0.000
	BRD8	382	-1.209	0.125	1.645	0.249	0.332	0.000	0.776	0.000
	BRD9	382	-1.219	0.125	2.442	0.249	0.331	0.000	0.767	0.000
	BRD10	382	-1.172	0.125	2.424	0.249	0.323	0.000	0.788	0.000
	BRD11	382	-1.477	0.125	3.301	0.249	0.341	0.000	0.729	0.000
	BRD12	382	-1.231	0.125	1.751	0.249	0.350	0.000	0.763	0.000
	BRD13	382	-1.402	0.125	3.107	0.249	0.365	0.000	0.726	0.000
	BRD14	382	-1.788	0.125	5.014	0.249	0.370	0.000	0.673	0.000
	BRD15	382	-1.710	0.125	4.302	0.249	0.378	0.000	0.678	0.000
	BRD16	382	-1.231	0.125	1.755	0.249	0.331	0.000	0.777	0.000
	BRD17	382	-1.642	0.125	4.942	0.249	0.354	0.000	0.685	0.000
	BRD18	382	-1.455	0.125	3.611	0.249	0.333	0.000	0.735	0.000
	BRD19	382	-1.530	0.125	3.540	0.249	0.361	0.000	0.720	0.000
	BRD20	382	-1.323	0.125	2.432	0.249	0.351	0.000	0.761	0.000
	BRD21	382	-1.191	0.125	2.245	0.249	0.352	0.000	0.758	0.000
	BRD22	382	-1.642	0.125	4.363	0.249	0.364	0.000	0.701	0.000
	BRD23	382	-1.777	0.125	5.598	0.249	0.360	0.000	0.675	0.000
	BRD24	382	-1.652	0.125	4.676	0.249	0.359	0.000	0.696	0.000
<b>ATP</b>	ATP1	382	-1.691	0.125	4.862	0.249	0.347	0.000	0.699	0.000
	ATP2	382	-1.340	0.125	2.270	0.249	0.348	0.000	0.759	0.000
	ATP3	382	-1.707	0.125	4.482	0.249	0.356	0.000	0.691	0.000
	ATP4	382	-1.657	0.125	5.184	0.249	0.355	0.000	0.680	0.000
	ATP5	382	-1.574	0.125	4.258	0.249	0.337	0.000	0.715	0.000
	ATP6	382	-1.223	0.125	2.945	0.249	0.316	0.000	0.764	0.000
<b>CAO</b>	CAO1	382	-1.462	0.125	2.495	0.249	0.330	0.000	0.751	0.000
	CAO2	382	-1.450	0.125	3.562	0.249	0.353	0.000	0.733	0.000
	CAO3	382	-1.447	0.125	3.952	0.249	0.355	0.000	0.724	0.000
	CAO4	382	-1.420	0.125	2.711	0.249	0.355	0.000	0.742	0.000
	CAO5	382	-1.291	0.125	2.562	0.249	0.323	0.000	0.773	0.000
	CAO6	382	-1.324	0.125	3.007	0.249	0.325	0.000	0.756	0.000

	CAO7	382	-1.424	0.125	2.648	0.249	0.335	0.000	0.753	0.000
	CAO8	382	-1.274	0.125	2.477	0.249	0.341	0.000	0.770	0.000
<b>BP</b>	BP1	382	-1.856	0.125	6.808	0.249	0.382	0.000	0.632	0.000
	BP2	382	-1.573	0.125	5.515	0.249	0.350	0.000	0.682	0.000
	BP3	382	-1.504	0.125	5.176	0.249	0.340	0.000	0.688	0.000
	BP4	382	-1.523	0.125	4.824	0.249	0.337	0.000	0.711	0.000
	BP5	382	-1.565	0.125	4.393	0.249	0.350	0.000	0.716	0.000
	BP6	382	-1.699	0.125	5.065	0.249	0.362	0.000	0.690	0.000
	BP7	382	-1.714	0.125	5.721	0.249	0.360	0.000	0.672	0.000
	BP8	382	-1.506	0.125	4.469	0.249	0.331	0.000	0.720	0.000
	BP9	382	-1.433	0.125	4.583	0.249	0.345	0.000	0.715	0.000
	BP10	382	-1.491	0.125	3.852	0.249	0.311	0.000	0.740	0.000
	BP11	382	-1.354	0.125	3.703	0.249	0.336	0.000	0.750	0.000
	BP12	382	-1.505	0.125	3.789	0.249	0.321	0.000	0.743	0.000

**Appendix (E) Cross Loading Result**

<b>Construct</b>	<b>Q.#</b>	<b>FCI</b>	<b>IFF</b>	<b>BST</b>	<b>EAF</b>	<b>RDS</b>	<b>BRD</b>	<b>ATP</b>	<b>CAO</b>	<b>BP</b>	
<b>FD</b>	<b>FCI</b>	FCI1	0.859	0.681	0.807	0.677	0.709	0.679	0.649	0.596	0.698
		FCI2	0.885	0.667	0.736	0.683	0.646	0.721	0.690	0.650	0.721
		FCI3	0.866	0.736	0.680	0.779	0.647	0.697	0.765	0.634	0.702
		FCI4	0.876	0.665	0.664	0.689	0.630	0.669	0.666	0.614	0.709
		FCI5	0.876	0.723	0.669	0.706	0.618	0.608	0.601	0.520	0.612
		FCI6	0.798	0.673	0.587	0.650	0.610	0.590	0.585	0.516	0.588
	<b>IFF</b>	IFF1	0.721	0.844	0.692	0.668	0.640	0.638	0.611	0.559	0.637
		IFF2	0.688	0.804	0.639	0.613	0.595	0.586	0.581	0.504	0.570
		IFF3	0.706	0.903	0.743	0.685	0.645	0.616	0.655	0.539	0.622
		IFF4	0.663	0.890	0.669	0.681	0.651	0.617	0.617	0.537	0.595
		IFF5	0.681	0.883	0.726	0.655	0.652	0.612	0.622	0.507	0.608
		IFF6	0.695	0.844	0.707	0.690	0.683	0.669	0.653	0.612	0.650
	<b>BST</b>	BST1	0.645	0.746	0.801	0.698	0.653	0.700	0.700	0.645	0.679
		BST2	0.712	0.711	0.873	0.724	0.682	0.741	0.725	0.662	0.782
		BST3	0.750	0.710	0.905	0.702	0.674	0.762	0.708	0.697	0.761
		BST4	0.714	0.732	0.937	0.713	0.717	0.753	0.709	0.662	0.756
		BST5	0.740	0.684	0.910	0.713	0.708	0.779	0.712	0.706	0.771
		EAF1	0.652	0.562	0.589	0.820	0.465	0.690	0.651	0.683	0.615
	<b>EAF</b>	EAF2	0.663	0.638	0.594	0.882	0.566	0.719	0.697	0.686	0.659
		EAF3	0.671	0.725	0.669	0.861	0.580	0.645	0.649	0.572	0.618
		EAF4	0.615	0.525	0.550	0.841	0.513	0.695	0.670	0.664	0.621
		EAF5	0.702	0.663	0.693	0.827	0.691	0.733	0.767	0.634	0.708
		EAF6	0.753	0.732	0.879	0.796	0.738	0.768	0.737	0.704	0.758
		<b>RDS</b>	RDS1	0.723	0.678	0.693	0.679	0.926	0.691	0.703	0.595
RDS2	0.599		0.590	0.669	0.607	0.890	0.695	0.699	0.612	0.685	
RDS3	0.667		0.678	0.739	0.585	0.869	0.680	0.652	0.588	0.683	
RDS4	0.669		0.712	0.659	0.675	0.873	0.674	0.697	0.612	0.685	
<b>CG</b>	<b>BRD</b>	BRD1	0.683	0.649	0.721	0.661	0.694	0.753	0.704	0.643	0.716
		BRD2	0.652	0.669	0.761	0.654	0.687	0.774	0.764	0.703	0.811
		BRD3	0.479	0.441	0.596	0.616	0.478	0.828	0.679	0.766	0.718
		BRD4	0.563	0.521	0.678	0.652	0.555	0.807	0.712	0.741	0.708
		BRD5	0.663	0.608	0.697	0.692	0.604	0.828	0.798	0.812	0.788
		BRD6	0.549	0.470	0.534	0.675	0.527	0.786	0.714	0.771	0.684
		BRD7	0.576	0.526	0.653	0.562	0.608	0.773	0.662	0.671	0.710
		BRD8	0.473	0.433	0.509	0.582	0.637	0.745	0.646	0.734	0.648
		BRD9	0.630	0.574	0.651	0.702	0.593	0.819	0.724	0.761	0.743
		BRD10	0.608	0.656	0.682	0.699	0.641	0.783	0.748	0.662	0.714
		BRD11	0.556	0.531	0.630	0.634	0.575	0.811	0.715	0.741	0.748
		BRD12	0.553	0.547	0.622	0.659	0.507	0.809	0.681	0.736	0.697
		BRD13	0.571	0.554	0.694	0.689	0.575	0.855	0.733	0.838	0.746
		BRD14	0.662	0.670	0.752	0.722	0.630	0.798	0.777	0.719	0.769
		BRD15	0.682	0.650	0.681	0.739	0.599	0.746	0.732	0.660	0.708
		BRD16	0.609	0.530	0.531	0.663	0.534	0.732	0.698	0.728	0.659
		BRD17	0.684	0.645	0.751	0.684	0.635	0.821	0.762	0.716	0.774
		BRD18	0.616	0.582	0.701	0.688	0.635	0.830	0.757	0.770	0.768
		BRD19	0.655	0.593	0.643	0.640	0.769	0.749	0.721	0.682	0.702
		BRD20	0.589	0.557	0.651	0.721	0.609	0.841	0.762	0.758	0.744
		BRD21	0.557	0.518	0.608	0.685	0.580	0.790	0.726	0.763	0.715
		BRD22	0.690	0.601	0.772	0.709	0.700	0.815	0.728	0.734	0.770
		BRD23	0.733	0.648	0.841	0.716	0.699	0.786	0.748	0.699	0.771
		BRD24	0.667	0.643	0.742	0.744	0.649	0.803	0.776	0.747	0.809
<b>ATP</b>	ATP1	0.678	0.612	0.724	0.680	0.617	0.820	0.837	0.773	0.817	
	ATP2	0.577	0.519	0.583	0.719	0.542	0.772	0.834	0.780	0.689	
	ATP3	0.713	0.678	0.764	0.720	0.690	0.777	0.848	0.747	0.765	

		ATP4	0.614	0.632	0.654	0.683	0.835	0.736	0.820	0.698	0.733
		ATP5	0.676	0.637	0.669	0.714	0.623	0.783	0.876	0.763	0.791
		ATP6	0.649	0.610	0.690	0.728	0.641	0.770	0.877	0.738	0.787
	<b>CAO</b>	CAO1	0.504	0.462	0.549	0.628	0.500	0.771	0.720	0.837	0.681
		CAO2	0.600	0.557	0.708	0.678	0.568	0.825	0.789	0.896	0.799
		CAO3	0.671	0.645	0.781	0.712	0.662	0.867	0.869	0.903	0.866
		CAO4	0.575	0.509	0.641	0.671	0.522	0.791	0.725	0.904	0.712
		CAO5	0.568	0.561	0.609	0.652	0.579	0.748	0.738	0.820	0.705
		CAO6	0.608	0.559	0.707	0.709	0.576	0.828	0.771	0.884	0.786
CAO7		0.586	0.520	0.647	0.683	0.549	0.770	0.726	0.853	0.726	
CAO8		0.579	0.500	0.557	0.650	0.688	0.701	0.713	0.750	0.677	
<b>BP</b>	BP1	0.705	0.643	0.773	0.678	0.744	0.820	0.770	0.751	0.895	
	BP2	0.696	0.627	0.759	0.717	0.662	0.840	0.808	0.771	0.900	
	BP3	0.699	0.630	0.768	0.695	0.667	0.834	0.793	0.758	0.893	
	BP4	0.665	0.563	0.720	0.658	0.594	0.799	0.766	0.786	0.894	
	BP5	0.676	0.590	0.662	0.717	0.647	0.777	0.791	0.722	0.859	
	BP6	0.660	0.575	0.678	0.644	0.645	0.779	0.761	0.746	0.856	
	BP7	0.628	0.647	0.681	0.636	0.836	0.720	0.740	0.659	0.769	
	BP8	0.674	0.589	0.668	0.714	0.585	0.743	0.746	0.749	0.811	
	BP9	0.643	0.679	0.708	0.690	0.665	0.754	0.769	0.677	0.827	
	BP10	0.632	0.575	0.703	0.654	0.627	0.770	0.762	0.732	0.828	
	BP11	0.664	0.596	0.770	0.683	0.609	0.819	0.763	0.798	0.858	
	BP12	0.689	0.612	0.800	0.695	0.677	0.820	0.778	0.784	0.873	

## Appendix (F) Research Questionnaire English Version

### Questionnaire

Dear Participant,

In your hands is a questionnaire distributed by a Ph.D. student in the Strategic Management program at the School of College of Graduate Studies—Arab American University of Palestine. The study topic is “Family Dynamics and Business Performance in Palestinian Industrial Family Businesses: The Moderating Role of Corporate Governance”.

Completing the questionnaire is expected to consume approximately 10-15 minutes of your time, and the gathered information will contribute to academic research. Your participation is entirely anonymous, and there is no need to provide your name or department. The compiled data will be presented solely as summary statistics. Your involvement in this survey is optional, and you can refrain from answering any questions. By responding to all questions, you signify your agreement to participate.

Your participation is greatly valued, as your input will significantly contribute to the study's findings.

If you have any questions concerning the research or the questionnaire, please don't hesitate to reach out to the researcher on the mobile number provided: 00972-599579000.

Bassam Abdel-Rahim Isma'el Hamid

**Thanks for your cooperation and time**

**\*Part One (Demographics Data). Please fill in the following**

**1. Age:**

- Less Than 20 years old
- From 20 to 30 years old
- From 31 to 40 years old
- More Than 40 years old

**2. Gender: -**

- Male
- Female

**3. What is your highest Educational Degree?**

- Nothing
- High School
- Diploma Degree
- Bachelor's Degree
- Master's or Higher Degree

**4. Institution Location**

- Jenin
- Tubas & Northern Valleys
- Tulkarm
- Nablus
- Qalqiliya
- Salfit
- Ramallah & Al-Bireh
- Jericho & Al-Aghwar
- Jerusalem
- Bethlehem
- Hebron

**5. Institution Operation**

- Less than 2 years
- From 3 to 6 years

- From 7 to 10 years
- More than 10 years

## **6. Institution Size**

- Medium (From 20 to 50 employees)
- Large (More than 50 employees)

## **7. Institution Activity**

- Food products industry
- Wood and cork products industry
- Stone and marble industry
- Solar energy and renewable energy industries
- Paper industries
- Pharmaceutical industries
- Precious metals industry
- Engineering and metal industries
- Agricultural and food products industry
- Soft drinks, juices, and water industry
- Metal industry
- Metal and wooden furniture manufacturing
- Chairs, tables, and desks factory
- Trade
- Concrete factory
- Leather and footwear industries
- Furniture
- Chemical industries
- Agricultural plows – trolleys – waste containers, etc.
- Cosmetics products

### **\*Part Two (Questionnaires)**

Please indicate the level of your agreement or disagreement with the statement as it reflects your satisfaction. Mark the appropriate response with an (X): Strongly Disagree, Disagree, Neutral, Agree, or Strongly Agree.

Dimension	Item #	Questions	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree
			1	2	3	4	5
<b>Family Dynamics Dimensions &amp; Indicators</b>							
Family Control and Influence	1.	The majority of the shares in my family business are owned by family members.					
	2.	In my family business, family members exert control over the company's strategic decisions.					
	3.	In my family business, most executive positions are occupied by family members.					
	4.	In my family business, nonfamily managers and directors are named by family members.					
	5.	The board of directors is mainly composed of family members.					
	6.	Preservation of family control and independence is an important goal for my family business.					
Identification of Family Members with the Firm	7.	Family members have a strong sense of belonging to my family business.					
	8.	Family members feel that the family business's success is their own success.					
	9.	My family business has a great deal of personal meaning for family members.					
	10.	Being a member of the family business helps define who we are.					
	11.	Family members are proud to tell others that we are part of the family business.					
	12.	Customers often associate the family name with the family business's products and services.					
Binding Social Ties	13.	My family business is very active in promoting social activities at the community level.					
	14.	In my family business, nonfamily employees are treated as part of the family.					
	15.	In my family business, contractual relationships are mainly based on trust and norms of reciprocity.					
	16.	Building strong relationships with other institutions (i.e., other companies, professional associations, government agencies, etc.) is important for my family business.					
	17.	Contracts with suppliers are based on enduring long-term relationships in my family business.					
Emotional Attachment of Family Members	18.	Emotions and sentiments often affect decision-making processes in my family business.					
	19.	Protecting the welfare of family members is critical to us, apart from personal contributions to the business.					
	20.	In my family business, the emotional bonds between family members are very strong.					
	21.	In my family business, effective considerations are often as important as economic considerations.					
	22.	Strong emotional ties among family members help us maintain a positive self-concept.					
	23.	In my family business, family members feel warmth for each other.					
Renewal of Family Bonds	24.	Continuing the family legacy and tradition is an important goal for my family business.					

Through Dynastic Succession	25.	Family owners are less likely to evaluate their investment on a short-term basis.					
	26.	Family members would be unlikely to consider selling the family business.					
	27.	Successful business transfer to the next generation is an important goal for family members.					
<b>Corporate Governance Dimensions &amp; Indicators</b>							
Board	28.	All directors attended 75% of board meetings or had a valid excuse					
	29.	The CEO serves on the boards of two or fewer public companies					
	30.	The board is controlled by more than 50% independent outside directors					
	31.	The board size is greater than five but less than 16					
	32.	The CEO is not listed as having a related-party transaction					
	33.	The compensation committee is composed solely of independent outsiders					
	34.	Chairman and CEO positions are separated, or there is a lead director					
	35.	Nominating committee composed solely of independent outsiders					
	36.	The governance committee exists and has met in the past year					
	37.	Shareholders vote on directors selected to fill vacancies					
	38.	Governance guidelines are publicly disclosed					
	39.	Annually selected board (no staggered board)					
	40.	Policy exists on outside directorships (four or fewer boards is the limit)					
	41.	Shareholders have cumulative voting rights					
	42.	Shareholder approval is required to increase/decrease the board size					
	43.	Majority vote requirement to amend charter/bylaws (not supermajority)					
	44.	The board has the express authority to hire its advisers					
	45.	Performance of the board is reviewed regularly					
	46.	Board-approved succession plan in place for the CEO					
	47.	Outside directors meet without the CEO and disclose the number of times met					
48.	Directors are required to resign a change in job						
49.	The board cannot amend bylaws without shareholder approval, or can do so only under limited circumstances						
50.	Does not ignore shareholder proposal						
51.	Qualifies for proxy contest defenses combination points						
Anti-takeover provisions	52.	Single class, common shares					
	53.	Majority vote requirement to approve mergers (not supermajority)					
	54.	Shareholders may call special meetings					
	55.	Shareholders may act by written consent					
	56.	The company either has no poison pill or a pill that is shareholder-approved					
	57.	The company is not authorized to issue a blank check preferred					
	58.	Directors are subject to stock ownership requirements					

Compensation and ownership	59.	Executives are subject to stock ownership guidelines					
	60.	No interlocks among compensation committee members					
	61.	Directors receive all or a portion of their fees in stock					
	62.	All stock-incentive plans adopted with shareholder approval					
	63.	Options grants align with company performance and a reasonable burn rate					
	64.	Officers' and directors' stock ownership is at least 1% but not over 30% of the total shares outstanding					
	65.	Repricing prohibited					

<b>Business Performance Indicators</b>			<b>Much Worse than competitors</b>		<b>Much better than competitors</b>		
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Business Performance	66.	Our sales growth						
	67.	The market share gains for us						
	68.	Our sales growth rate						
	69.	The after-tax return on assets						
	70.	The net profits after taxes						
	71.	Our financial liquidity						
	72.	Our public image						
	73.	Our customer compliments						
	74.	Our customer loyalty						
				<b>Never</b>	<b>Seldom</b>	<b>Often</b>	<b>Mostly</b>	<b>Always</b>
				<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	75.	To what extent are suggestions on doing things differently made in your organization?						
	76.	To what extent is the way work is done in your organization being changed?						
	77.	To what extent are new ideas converted into viable business opportunities in your organization?						

## الاستبيان

المشاركين الأعزاء،

بين يديك استبانة تم توزيعها من قبل طالب دكتوراه في برنامج الإدارة الإستراتيجية في كلية الدراسات العليا الجامعة العربية الأمريكية في فلسطين.

موضوع الدراسة هو:

"ديناميكيات الأسرة وأداء الأعمال في الشركات العائلية الصناعية الفلسطينية: الدور التعديلي لحوكمة الشركات".

من المتوقع أن يستغرق تعبئة هذه الاستبانة حوالي 10-15 دقيقة، وسيسهم ما يتم جمعه من معلومات في دعم البحث الأكاديمي. مشاركتك ستكون مجهولة تمامًا، ولا حاجة لذكر اسمك أو القسم الذي تعمل فيه. وسيتم عرض البيانات المستخلصة على شكل إحصاءات ملخصة فقط. علماً أن المشاركة في هذه الدراسة اختيارية، ويحق لك الامتناع عن الإجابة على أي من الأسئلة. تعبئتك لكامل الاستبانة تعني موافقتك على المشاركة..

نُقدّر مشاركتك كثيرًا، إذ سيكون لرأيك أثر كبير في نتائج هذه الدراسة.

للاستفسار حول البحث أو محتوى الاستبانة، يمكنك التواصل مع الباحث على الرقم التالي:

00972-599579000

بسام حامد

الجامعة العربية الأمريكية

شكرًا لتعاونكم ووقتكم.

الجزء الأول (البيانات الديموغرافية). الرجاء تعبئة ما يلي:

1. العمر

[ ] أقل من 20 سنة

[ ] من 20 إلى 30 سنة

[ ] من 31 إلى 40 سنة

[ ] أكثر من 40 سنة

2. الجنس :

[ ] ذكر

[ ] أنثى

3. المؤهل العلمي:

[ ] لا يوجد

[ ] الثانوية العامة

[ ] دبلوم

[ ] بكالوريوس

[ ] ماجستير أو درجة أعلى

4. موقع المؤسسة؟

[ ] جنين

[ ] طوباس والأغوار الشمالية

[ ] طولكرم

[ ] نابلس

[ ] قلقيلية

[ ] سلفيت

[ ] رام الله والبييرة

[ ] أريحا والأغوار

[ ] القدس

[ ] بيت لحم

[ ] الخليل

## 5. مدة تشغيل المؤسسة:

- [ ] أقل من سنتين
- [ ] من 2 إلى 6 سنوات
- [ ] من 7 إلى 10 سنوات
- [ ] أكثر من 10 سنوات

## 6. حجم المؤسسة:

- [ ] متوسطة (من 20 إلى 50 موظفًا)
- [ ] متوسطة (أكثر من 50 موظفًا)

## 7. نشاط المؤسسة:

- [ ] صناعة المنتجات الغذائية
- [ ] صناعة منتجات الخشب والفلين
- [ ] صناعة الحجر والرخام
- [ ] صناعات الطاقة الشمسية والطاقة المتجددة
- [ ] صناعات الورق
- [ ] الصناعات الدوائية
- [ ] صناعة المعادن الثمينة
- [ ] الصناعات الهندسية والمعدنية
- [ ] الصناعات الزراعية والمنتجات الغذائية
- [ ] صناعة المشروبات الغازية والعصائر والمياه
- [ ] الصناعات المعدنية
- [ ] تصنيع الأثاث المعدني والخشبي
- [ ] مصنع الكراسي والطاولات والمكاتب
- [ ] التجارة
- [ ] مصنع الخرسانة
- [ ] صناعات الجلود والأحذية
- [ ] الأثاث
- [ ] الصناعات الكيماوية
- [ ] المحاربيث الزراعية - العربات - حاويات النفايات، إلخ.
- [ ] منتجات التجميل

## الجزء الثاني (الاستبيانات)

يرجى تحديد درجة موافقتك أو عدم موافقتك على العبارات التالية بما يعكس مدى رضاك، بوضع إشارة (X) في الخانة المناسبة (أعارض بشدة، أعارض، محايد، أوافق، أو أوافق بشدة).

أوافق بشدة	أوافق	محايد	أعارض	أعارض بشدة	الاسئلة	#	الأبعاد
<b>أبعاد ومؤشرات ديناميكيات الأسرة</b>							
					تمتلك العائلة معظم أسهم الشركة.	1.	التحكم الأسري والتأثير
					للعائلة تأثير مباشر على القرارات الاستراتيجية.	2.	
					المناصب التنفيذية العليا يشغلها أفراد من العائلة.	3.	
					تعيين المدراء من غير أفراد العائلة يتم من قبل العائلة.	4.	
					يتكون مجلس الإدارة بشكل رئيسي من أفراد العائلة.	5.	
					الحفاظ على استقلالية وتحكم العائلة هدف رئيسي.	6.	
					أفراد العائلة يشعرون بالانتماء القوي للشركة.	7.	انتماء أفراد العائلة للمؤسسة
					يرون أن نجاح الشركة هو نجاح شخصي لهم.	8.	
					تحمل الشركة معنى شخصيًا لهم .	9.	
					الانتماء للشركة يحدد هويتهم.	10.	
					يفخرون بالانتماء للشركة.	11.	
					الزبائن يربطون اسم العائلة بمنتجات الشركة.	12.	
					تشارك الشركة بنشاط في الفعاليات الاجتماعية.	13.	الروابط الاجتماعية
					يُعامل الموظفون غير العائليين كأفراد من العائلة.	14.	
					العلاقات التعاقدية مبنية على الثقة المتبادلة.	15.	
					بناء علاقات قوية مع مؤسسات أخرى أمر مهم.	16.	
					العقود مع الموردين قائمة على علاقات طويلة الأمد.	17.	
					العواطف تؤثر على اتخاذ القرار.	18.	الروابط العاطفية
					رفاهية أفراد العائلة تُعتبر أولوية.	19.	
					الروابط العاطفية بين أفراد العائلة قوية.	20.	
					تؤخذ الاعتبارات العاطفية مثلها مثل الاقتصادية.	21.	
					العلاقات العاطفية الإيجابية تعزز الهوية الذاتية.	22.	
					تسود مشاعر الدفء بين أفراد العائلة.	23.	
					الحفاظ على إرث العائلة هدف محوري.	24.	استمرارية العائلة عبر التوريث
					لا يتم تقييم الاستثمار بمنظور قصير الأجل.	25.	
					من غير المرجح أن يتم بيع الشركة.	26.	
					نقل الإدارة للجيل القادم هدف رئيسي.	27.	
<b>أبعاد ومؤشرات حوكمة الشركات</b>							
					حضر جميع أعضاء مجلس الإدارة 75% من الاجتماعات أو تغيبوا بعذر مقبول.	28.	مجلس الإدارة
					المدير التنفيذي لا يعمل في أكثر من شركتين مدرجتين.	29.	

					أكثر من 50% من أعضاء مجلس الإدارة مستقلين من خارج الشركة.	30	
					عدد أعضاء مجلس الإدارة يتراوح بين 6 و15 عضوًا.	31	
					لا توجد معاملات بين المدير التنفيذي وأطراف ذات علاقة.	32	
					لجنة المكافآت مكوّنة فقط من أعضاء مجلس إدارة مستقلين خارجيين.	33	
					يوجد فصل بين منصب رئيس مجلس الإدارة والرئيس التنفيذي، أو وجود مدير رئيسي مستقل.	34	
					لجنة الترشيحات لمناصب التنفيذ العليا في مجلس الإدارة مكوّنة فقط من أعضاء مستقلين خارجيين.	35	
					لجنة الحوكمة موجودة واجتمعت خلال العام.	36	
					يحق لأصحاب الشركة التصويت على أعضاء مجلس الإدارة المعيّنين لملاء المقاعد الشاغرة.	37	
					وجود دليل معلن لحوكمة الشركات.	38	
					يتم انتخاب مجلس الإدارة سنويًا (بدون تقسيم فترات).	39	
					هناك سياسة لتحديد عدد المناصب الخارجية في مجلس الإدارة (4 كحد أقصى).	40	
					يتمتع اصحاب الشركة بحق التصويت عند أي قرار دون استثناء.	41	
					يجب الحصول على موافقة اصحاب الشركة لتعديل عدد اعضاء مجلس الادارة.	42	
					لا يُشترط أغلبية مطلقة من مجلس الادارة لتعديل النظام الأساسي.	43	
					لمجلس الإدارة صلاحية تعيين المستشارين.	44	
					يتم تقييم أداء مجلس الادارة بانتظام.	45	
					دائمًا توجد خطة معتمدة لخلافة المدير التنفيذي.	46	
					يجتمع أعضاء مجلس الإدارة (خارج إطار العائلة) دون المدير التنفيذي ويتم الإفصاح عن عدد الاجتماعات.	47	
					يجب على أعضاء مجلس الادارة تقديم استقالتهم في حال تسلمهم وظيفة تنفيذية.	48	
					لا يجوز لمجلس الإدارة تعديل اللوائح دون موافقة اصحاب الشركة، إلا في حالات محدودة.	49	
					لا يتم تجاهل مقترحات اصحاب الشركة.	50	
					تطبق الشركة سياسات تمكنها من مقاومة محاولات الاستحواذ العدائي.	51	
					هنالك فئة واحدة من الأسهم العادية في الشركة.	52	
					في حالة الرغبة في الاندماج مع شركة اخرى يُشترط فقط أغلبية بسيطة للموافقة على الاندماجات من قبل مجلس الإدارة.	53	
					يمكن اصحاب الشركة الدعوة لاجتماعات خاصة.	54	
					يمكن لأعضاء مجلس الادارة اتخاذ قرارات عبر الموافقة الخطية.	55	سياسات الحماية من الاستحواذ
					لا تعتمد الشركة خطة "الحبة السامة"، أو تعتمد فقط بموافقة اصحاب الشركة.	56	
					*صطلح "الحبة السامة" (Poison Pill) هو استراتيجية دفاعية تتبناها بعض الشركات لمنع أو تعقيد محاولات الاستحواذ العدائي من قبل شركات أو مستثمرين آخرين.	57	
					لا تملك الشركة صلاحية إصدار أسهم ممتازة دون تحديد شروطها مسبقًا.	57	
					يُطلب من أعضاء المجلس الادارة (خارج اطار العائلة) تملك حصة من أسهم الشركة.	58	التعويضات والملكية

					59	الإدارة التنفيذية ملزمة بدليل إرشادات ملكية الأسهم.
					60	لا يوجد مشاكل وتداخلات بين أعضاء لجنة التعويضات في مجلس الإدارة.
					61	يتقاضى أعضاء مجلس الإدارة والإدارة التنفيذية جزء من مكافئاتهم على شكل أسهم.
					62	تمت الموافقة على جميع خطط حوافز الأسهم من قبل أصحاب الشركة.
					63	منح حوافز الأسهم مرتبط ببدء الشركة ومعدلات معقولة.
					64	يملك المديرون والتنفيذيون من 1% إلى 30% من الأسهم.
					65	لا يسمح بإعادة تقييم قيمة الأسهم.
<b>أبعاد ومؤشرات الأداء</b>						<b>الأداء مقارنة بالمنافسين: أسوأ بكثير</b>
						<b>أفضل بكثير</b>
5	4	3	2	1		
					66	نمو المبيعات
					67	زيادة الحصة السوقية
					68	معدل نمو المبيعات
					69	العائد على الأصول بعد الضريبة
					70	صافي الأرباح بعد الضريبة
					71	السيولة المالية
					72	الصورة العامة للشركة
					73	عدد شكاوى العملاء
					74	ولاء العملاء
<b>أبدا نادرا</b>						<b>أحيانا غالبا دائما</b>
5	4	3	2	1		
					75	إلى أي مدى تُقترح طرق جديدة للعمل؟
					76	إلى أي مدى يتم تعديل أساليب العمل؟
					77	إلى أي مدى تتحول الأفكار الجديدة إلى فرص تجارية قابلة للتنفيذ؟

## Appendix (H) IRB Approval Letter

*Arab American University*  
Institutional Review Board - Ramallah



الجامعة العربية الأمريكية  
مجلس أخلاقيات البحث العلمي - رام الله

### IRB Approval Letter

**Study Title: "Family Dynamics and Business Performance in Palestinian Industrial Family Businesses: The Moderating Role of Corporate Governance".**

Submitted by: Bassam Abd Alraheem Hamid

**Date received:** 27<sup>th</sup> May 2025

**Date reviewed:** 1<sup>st</sup> June 2025

**Date approved:** 3<sup>rd</sup> June 2025

Your Study titled "**Family Dynamics and Business Performance in Palestinian Industrial Family Businesses: The Moderating Role of Corporate Governance**" with the code number "**R-2025/A/38/N**" was reviewed by the Arab American University Institutional Review Board - Ramallah and it was approved on the 3<sup>rd</sup> of June 2025.

Sajed Ghawadra, PhD  
IRB-R Chairman  
Arab American University of Palestine



#### General Conditions:

1. Valid for 6 months from the date of approval.
2. It is important to inform the IRB-R with any modification of the approved study protocol.
3. The Board appreciates a copy of the research when accomplished.

رام الله - فلسطين

Tel: 02-294-1999

E-Mail: [IRB-R@aaup.edu](mailto:IRB-R@aaup.edu)

Website: [www.aaup.edu](http://www.aaup.edu)

## ديناميكيات الأسرة وأداء الأعمال في الشركات العائلية الصناعية الفلسطينية: الدور التعديلي لحوكمة الشركات

بسام عبدالرحيم اسماعيل حامد

الدكتور حسام الشمري،

الدكتور أيمن العرموطي،

الدكتور سمير ابو زنيد

### ملخص

الخلفية: تُشكّل الشركات العائلية العمود الفقري للاقتصاد الفلسطيني، إذ تُشكّل أكثر من 70% من المؤسسات العاملة في الضفة الغربية، وتُساهم بشكل كبير في الناتج المحلي الإجمالي وفرص التوظيف. تعمل هذه الشركات في بيئة اجتماعية وسياسية شديدة التقلب، تتسم بضعف حرية الحركة، وغموض الإطار القانوني، والاضطرابات الاقتصادية، مما يجعل الحفاظ على الأداء تحديًا مستمرًا. تهدف هذه الدراسة إلى تحليل تأثير الديناميكيات العائلية - بما في ذلك السيطرة العائلية، والهوية العائلية مع الشركة، والروابط الاجتماعية، والارتباط العاطفي، والتوريث الأسري - على أداء الأعمال، من خلال مؤشرات مالية وغير مالية. كما تبحث الدراسة في الدور التعديلي لآليات الحوكمة المؤسسية في تعزيز هذه العلاقة داخل الشركات العائلية الصناعية في فلسطين.

المنهجية: اعتمدت الدراسة على تصميم كمي مقطعي، حيث جُمعت البيانات من 382 قائدًا في شركات عائلية صناعية في الضفة الغربية باستخدام استبيانات منظمة. قاست الاستبيانات مكونات الديناميكيات العائلية، ومستوى الحوكمة المؤسسية، وأداء الشركات. تم تحليل البيانات باستخدام نمذجة المعادلات الهيكلية

بطريقة المربعات الصغرى الجزئية (PLS-SEM) ، مع التأكد من الثبات والمصدقية من خلال معامل كرونباخ للتحقق من الاتساق الداخلي وتحليل المكونات الأساسية.

النتائج: أكدت النتائج أن الديناميكيات العائلية تُحسّن أداء الشركات بشكل ملحوظ. كما أن الحوكمة المؤسسية تُؤثر إيجابيًا على الأداء وتُعدّل العلاقة بين الديناميكيات العائلية والأداء، حيث تعزز النتائج عند وجود آليات فاعلة. وأظهرت النتائج أيضًا أن للديناميكيات العائلية دورًا في تحسين جودة الحوكمة. كل من أبعاد السيطرة العائلية، والهوية مع الشركة، والروابط الاجتماعية، والارتباط العاطفي، والتوريث أظهرت تأثيرات إيجابية قوية على الأداء.

الدلالات التطبيقية: ينبغي على الشركات العائلية الفلسطينية اعتماد أنظمة حوكمة رسمية مثل المجالس الاستشارية وخطط التوريث المؤسسي لتعظيم مزايا الروابط العائلية وتقليل حدة الصراعات. كما يُوصى بأن يعمل صنّاع السياسات على تطوير برامج تدريبية تتوافق مع الخصوصية الثقافية المحلية، وتبني نماذج هجينة للحوكمة. وينبغي على الممارسين تحقيق التوازن بين الالتزام العاطفي والإدارة المهنية لضمان الاستدامة واستمرار الشركات عبر الأجيال.

الكلمات المفتاحية: الديناميكيات العائلية، الحوكمة المؤسسية، أداء الشركات، الشركات العائلية الفلسطينية.