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ARTICLE

# Financial performance, firm value, transparency and corporate governance. Evidences from family-owned business in UAE

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**ABSTRACT**

The purpose of this study is to investigate the relationship among financial performance (FP), firm value (FV), transparency and corporate governance (CG) from family-owned business in the United Arab Emirates (UAE). This study used secondary data sets for analysis. This study applied descriptive statistics and cross-section analysis in order to better understand the actual facts and figures. The results indicate that majority of analysed companies do not provide a public access to their annual reports. However, comparison of average revenues for companies from each group allowed that there is a statistically significant difference found in revenue received by private family firms and public family firms. The public family companies receive 1.5 times higher annual revenue as compare to private family-owned companies. Finally, the linear regression model shows that there is insignificant relationship exist between corporate governance and company's financial performance.

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**KEYWORDS**

Financial performance; firm value; transparency; corporate governance; UAE

## Introduction

A rapidly changing economic environment delivers new challenges for all businesses regarding their type. Economic climate becomes hotter, competition and price pressure are growing, and the speed of new challenges appearance continues to increase. In the case of the UAE economy, the biggest share of businesses is taken by family-owned businesses (Sahni, Alwy, & Al-Assaf, 2017). In order to succeed family businesses in the UAE should pay significant efforts to adapt to changes, innovate earlier and ensure sustainable business growth (PwC 2019). Hence, family businesses have significant impact on the UAE economic development, which requires developing appropriate strategies for constantly improving their performance and development.

There is no single definition of family business in the scholarly literature. However, in general, it is agreed that family ownership can be measured as a ration of the number of shares owned by family members in the total number of issued shares (Nazir & Afzab, 2018). Hence, in order to be referred to a family business type the company should have the majority of shares belonged to a members of a single family, which is enough to have the control of the company, or at least one family member is presented in the company's board (Kahveci & Wolfs, 2019, p. 5). In the case of the UAE, family business can be defined as a business that has at least 51% of shares owned by a family or at least one of the members of the executive team was chosen from this family (Oudah, Jabeen, & Dixon, 2018). Therefore, this definition will be used by constructing variables for the given research.

On the whole, the performance of family business in the Middle East and the UAE, in particular, seems to be positive. In particular, according to the latest KPMG (2017) survey of the Gulf Cooperation Council (GCC) Family Businesses, more than a half of respondents believe that they will be able to adjust to new market challenges, such as lower oil prices and different geopolitical developments. Besides that, more than a half of surveyed family businesses located in the GCC region also reported about positive revenue growth, and over two-thirds are planning to implement strategic investment projects over the coming years (KPMG, 2017). Hence, in general, family-owned companies in the UAE can be considered as successful businesses.

However, companies' growth can be limited with the number of challenges, which pose significant economic pressure on family businesses. Therefore, companies are forced to improve their strategies, which is critical for their survival in increasingly complex digital age. In particular, as the PwC (2019) discovered, leaders of the

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Middle East family businesses cited the following challenges to be major concerns to their companies: challenging economic environment, talent seeking, the need to innovate, and regulation. Companies' executives also agreed that in order to properly respond to these challenges their companies should become more competitive (PwC 2019). Nevertheless, such challenges are also common for companies with other ownership types; while in addition to them family-owned companies face additional challenges. These challenges are mainly related with the complexity of business processes appearing in family companies Shabbir (2017). In particular, the complexity of these business processes is based on dealing with concerns that appear between family members and hired employees or managers and shareholders. Moreover, family-owned businesses also could have concerns related with ensuring transparency and accountability or securing their future by selling their business or continuing to own it. Most of these specific to family business challenges can be considered as a lack of appropriate corporate governance strategy (Shabbir 2019).

The purpose of the research is to investigate the impact of corporate governance on the transparency, financial performance, and firm market value of the family business in the UAE. This will allow discovering the impact the corporate governance has on business success and image, and analyse factors that are vital for developing successful business strategies. On the base of the conducted research recommendations for the UAE family companies will be formulated. The conducted analysis is important in terms of a high power of family businesses on the UAE economy development, since almost 90% of the UAE private sector is represented by family companies. To evaluate transparency of the chosen UAE companies the research was conducted with the focus on their financial reports and other related data. Hence, unlike to other businesses family-owned companies are ought to deal with specific challenges, which require ensuring the balance between the business interests and family needs. Therefore, there is a need to formulate appropriate corporate governance strategies for the UAE family businesses, which will allow ensuring positive outcomes for economic development.

## Literature review

### *Corporate governance and financial performance*

Implementing efficient corporate governance within the company is vital for its business, as the majority of researchers discovered significant impact of corporate governance on the company's performance. However, analysis of the latest findings on family business provided mixed results of the impact of family ownership on company performance. Differences in results are mainly related with different characteristics of family corporate governance and financial used by the researchers.

Thus, Kahveci and Wolfs (2019) discovered that there is a positive relationship between the family involvement into business ownership or management and company performance illustrated by the business efficiency scores. However, researchers also showed that non-family-owned companies showed even greater efficiency of their business. On the other hand, Balagobei (2018) survey provided insufficient results for the relationship between director's ownership on the financial performance measures (ROA and Tobin's Q). Mixed results can be explained by a fact that the impact of family ownership on business depends on the business size and duration of the family ownership. Thus, Nazir and Afza (2018) showed that small family-owned firms have higher ROA, while large family-owned companies gained negative relationship between the Tobin's Q and their corporate governance. Such negative association can be explained by a fact that investors usually deliver lower evaluation to companies with significant family involvement into business due to their believes that family control authority is associated with the business destruction in the long-term (Nazir & Afza, 2018). Moreover, researchers also believe another factor associated with the decrease in financial performance results is the adverse impact of decedents of second or third generation of founders (Murro & Peruzzi, 2019). Thus, in the short term, when family-owned businesses are relatively small and have entrepreneurial soul, they are able to take advantage of leadership motivation and capabilities and, therefore, stay flexible and adaptable to changes Shabbir (2018a). Therefore, comparing with non-family companies, they experience better financial results. However, in the long-term family companies become bigger and it becomes challenging to continue ensuring such adaptability and flexibility Shabbir (2018). Hence, in the transformation from the small family firm to large publicly traded corporation it become challenging for family businesses to keep their uniqueness, which previously ensured their competitor advantage Shabbir, Bashir, Abbasi, Yahya, and Abbasi (2020). Respectively, market lowers the value for companies with higher family ownership, which is reflected in lower business value. It also should be noted that Yılmaz (2018) discovered that there is a weak relationship between corporate governance and financial performance indicators for family businesses in Oman.

Talking about other elements of the corporate governance it should be noted that board size also received opposite evaluation of researchers. Thus, Balagobei (2018) showed that smaller board size is related with higher firm performance, which can be explained by ability of managers to closer monitor financial information. Therefore, researcher concluded that increasing the board size could negatively affect company's performance, as the higher number of board members could lead to interpersonal conflicts when making a decision.

Balagobei (2018) proved that smaller audit committee leads to better company's performance. On the opposite of these findings, Nazir and Afza (2018) insist that larger and independent boards are enhancing the firm value. Moreover, researchers also emphasise the necessity to establish large and independent audit committees that will allow ensuring the credibility of accounting information. Nazir and Afza (2018) believe that larger controlling control bodies will therefore enhance the return of assets and sustain long-term business growth. Organisations may make social ventures with the aim of making shared money related, social and natural advantages since it implies corporate assets will probably be invested on the long run and that society will profit by the abilities of an organisation putting resources into a way identified with its centre business (Wilson and Neil 2014). Shabbir and Wisdom (2020) describe that corporate governance and financial performance obligation ought to be dealt with as an investment, not as a cost or expense where it demonstrates a connection between company and the stakeholders. However, less investment is turning into a substantially more dire monetary, social and political issue. Regardless of whether social direction fortifies market development instead of exclusively social advancement (or any development whatsoever) is the focal topic of the argument encompassing the Porter hypothesis propounded by Michael Porter in the mid-1990s? But numerous firms in Congress and industry have posited that these regulations would "trample U.S. competitiveness" and are devising means to block the environmental protection agency from applying their methods. The considered literature reviewed to a limited extent, try to illuminate the Porter hypothesis and discuss with a review of the empirical proof.

Hence, the second and third research hypotheses are the following:

**Hypothesis 1:** There is a significant relationship exist between corporate governance and financial performance.

## *Corporate governance, transparency and firm value*

Corporate governance covers a wide area of the development of responsibilities and rights among different company's stakeholders. In particular, corporate governance can be defined as a strategy describing rules and procedures for making decisions on corporate affair that covers interests of managers, shareholders, and other stakeholders (Sahni et al., 2017, p. 40). Studies include different characteristics to analyse the corporate governance, including board size, board independence, ownership concentration for instance; Arif & Shabbir, 2019; Yı lmaz, 2018). As Oudah et al. (2018) describe, the corporate governance for family-owned companies differs from non-family businesses due to several reasons. Firstly, family has a long-term relationship with the business, which can be counted by generations. Secondly, a family could have special cultural views and norms, which are therefore implemented into the business. Thirdly, shareholders and board members of family business are usually related with each other. Nevertheless, there are several principles of corporate governance that are common for companies regarding their ownership type. In particular, companies should be transparent, ethical, and accountable to shareholders and other stakeholders (Wixley, Everingham, & Lown, 2019). Besides that, companies should be responsible and incorporate similar values of honesty, commitment, and integrity, which were illustrated by their corporate governance.

Transparency is imperative to business, as being transparent means that company timely delivers full and accurate information about both financial and non-financial aspects of its operations. For instance, to be transparent companies should publish and make available to their stakeholders annual and semi-annual financial reports, treat their shareholders equally by delivering them information about important corporate event (Sahni et al., 2017). Besides that, Shabbir (2017) research conducted for Saudi family businesses showed that the majority of surveyed companies implemented the Capital Market Authority (CMA) framework, which is completely voluntary for Saudi businesses. Therefore, companies showed that they have clearly divided management and ownership from each other. However, there was also a common issue of a lack of ensuring transparency for shareholders financial rights, which was discovered for almost 78% of surveyed companies (Sahni et al., 2017). Such lack of transparency illustrated on of the concerns common for the Saudi family businesses, as the role of large shareholders, other than the family one is, also important for family companies (Jara, López-Iturriaga, San-Martín, & Saona, 2019). The importance of ensuring transparency can be explained by a fact that family members that are controlling company's operations may act in favour of family members instead of delivering equal benefits for all shareholders (Ahmad, Nadeem, Ahmad, & Hamad, 2014). On the other hand, surveys also showed that family ownership leads to reduced earning management practices, which is positive for ensuring business transparency and efficiency (Amir, Shaari, & Mohd Ariff, 2019). Nevertheless, the majority of researchers concern lies in a fact that family businesses could lack transparency due to the dual nature between company's management and ownership. Hence, researchers agree that transparency could become a significant concern for family-owned-businesses. On the basis of the findings of the scholar literature, the first research hypothesis can be formulated:

**Hypothesis 2:** There is significant relationship exist between corporate governance and company transparency.

Therefore, critical literature analysis allowed estimating that family businesses could potentially lack transparency in their financial operations, which can be illustrating by preferences of family members over other shareholders. Besides that, it was also assumed that corporate governance is strongly associated with the financial performance of the company, which can be illustrated by internal performance indicators (i.e., ROA) and external performance indicators (i.e., Tobin's Q).

**Hypothesis 3:** There is significant relationship exist between corporate governance and firm value.

### *Research methodology*

To investigate the impact of corporate governance on the transparency, financial performance, and firm market value of the family business in the UAE a descriptive research design was chosen. This research utilised a cross-sectional quantitative data, which allowed providing a snapshot of a current social phenomenon. For the purpose secondary data collected. A quantitative nature of collected data allowed utilising statistical analysis tools, which ensure a reliability of research findings. A total sample frame for a given research covers all family-owned businesses located in the UAE. Thus, a research sample includes three well-established UAE family businesses: AlFahim Group; Al-Futtaim Group; and AlGhurair Group. The secondary data of companies' financial performance extracted from the online surveys of the companies' corporate websites and external open sources, such as Bloomberg, Finance Yahoo, and other.

## Constructs/variables

The corporate governance is considered an independent (predicting) variable, and transparency, financial performance, and firm market value dependent variables. To adapt data for statistical analysis, a corporate governance variable calculated as a scoring index of parameters, which are associated with it. In particular, corporate governance index calculated using the following elements: board size, board independence, ownership concentration, audit committee size, audit committee independence, the share of family members in the board of directors, and the share of family members in the top management team. In their turn, board size calculated as a total number of directors on the board. Board independence calculated was a share of independent directors in the total number of directors. Directors' ownership measures as the ratio of shares owned by directors in the total number of equity shares. Audit committee size measured as the number of auditors during the financial year. Audit committee independence calculated as the share of independent auditors in the total number of auditors. To calculate the corporate government index, all parameters rated for each company, and their ratings values further summed up.

Transparency measured as a scoring index, which count the following parameters: implementation of the Capital Market Authority, publishing annual and semi-annual financial reports, the number of shareholders meetings per year. The financial performance as a dependent variable also measured as a scoring index, using the following parameters Return on Equity (ROE), Return on Assets (ROA), EBIT, Net Profit Margin. ROA can be measured as a ratio of net profit in total assets, and ROE can be calculated as a ratio of net profit in total shareholders revenue. EBIT (earnings before interest and taxes) is the company's operating income, which can be calculated as the difference between total revenue and expenses excluding interest and taxes. Net profit margin is the share of net profit in the total revenue.

The firm value assessed using the Tobin's Q parameter. This dependent variable can be measured by the following formula provided in the Balagobei (2018, p. 1417) research:

$$\text{Tobin'sQ} = (MC + TA - SE)/TA, \tag{1}$$

where MC is market capitalisation, TA is total assets, and SE is shareholders equity.

### *Econometric model*

To analyse the relationship between variables several linear regression models were developed. The first model analyses the relationship between corporate governance and company transparency using the following formula:

$$T = \beta_0 + \beta_1 CG_i + \varepsilon_i, \tag{2}$$

where T is the transparency index, CG is the corporate governance index, i is the company's ID, $\beta$ is the regression coefficient, $\varepsilon$ is the error term.

Further, to investigate the relationship between corporate governance and financial performance the following econometric model was developed:

$$FP = \beta_0 + \beta_1 CG_i + \varepsilon, \tag{3}$$

where FP is the financial performance index, CG is the corporate governance index, i is the company's ID, $\beta$ is the regression coefficient, $\varepsilon$ is the error term.

Finally, the model analysing the relationship between corporate governance and company value can be expressed by the following equation:

$$.\text{Tobin'sQ} = \beta_0 + \beta_1 CG_i + \varepsilon, \tag{4}$$

where Tobin's Q is the company value measurement, CG is the corporate governance index, i is the company's ID, $\beta$ is the regression coefficient, $\varepsilon$ is the error term.

## Empirical data analysis

The SPSS software (25.0) is used to conduct statistical analysis of collected data. Data analysis is divided by two parts. The first part provides a description of the utilised data with a particular focus at the UAE companies. The second part includes inferential statistical analyses, conducted to test research hypothesis.

### *Descriptive statistics*

Family businesses included into the "The World's Top 750 Family Businesses Ranking" were representing different countries. Nevertheless, among 750 companies, some companies were overrepresented by a comparatively higher number of successful family businesses, including: USA (171 listed companies), Germany (119 listed companies), China (41 listed companies), and France (35 listed companies) (Bain, 2019). Further, sectors that were most represented by top family companies include Retail and Consumer Products (30.4%), Manufacturing and Industrial Products (12.67%), and Diversified industries (10.13%) (Figure 1).

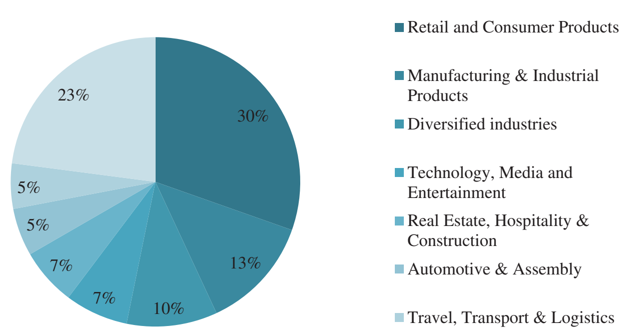


**Figure 1.** Industries included into the list of "The World's Top 750 Family Businesses Ranking" (made by the author).

All four UAE companies included into research are privately owned. In particular, Majid Al Futtaim Holding LLC is 100% owned by the Al Futtaim family; LuLu Group International is also 100% owned by the Yusuffali family; and Consolidated Contractors International Company SAL is 100% owned by the Khoury and Sabbagh family; while only 67% of shares of the Kuwait Food Company (Americana Group) belonged to a family. Three from four companies are representing Retail and Consumer Products: Majid Al Futtaim Holding LLC, LuLu Group International, and Kuwait Food Company (Americana Group), while Consolidated Contractors International Company SAL is engaged into the Manufacturing and Industrial Products sector. Three companies were founded more than 50 years ago, including LuLu Group International (founded in 1966), Kuwait Food Company (Americana Group) (founded in 1964), and Consolidated Contractors International Company SAL (founded in 1953). The Majid Al Futtaim Holding LLC is the youngest among chosen companies since it was founded in 1992.

In total, 750 family businesses generated more than $9 billion of revenue during 2017 financial period, and employed around 30 million of people (Bain, 2019). Besides that, 750 companies 370 companies were private and 380 companies were publicly listed. The mean annual revenue for private companies was $9,483.406 million with standard deviation (SD) of $14,741.5286 million (Table 1). The mean annual revenue for public companies was $14,040.138 million, with SD of $35,210.9911 million (Table 1).

## *Correlation analysis*

Firstly, to discover a kind of relationship between the level of family shareholding and revenue a Pierson correlation coefficient was calculated for these two variables. As the Table 2 illustrates, the correlation between family shareholding and company's revenue is −0.053. Moreover, since significance for their relationship is 0.144 (Table 2), which is higher than the chosen level of statistical significance, the relationship between corporate governance and revenue is not statistically significant.

## *Private firms*

For private firms a linear regression model of the impact of corporate governance on the financial performance provided the following results: $F(1, 368) = 3.554$, $p$-value $= 0.06 > 0.05$ (Table 3). Therefore, it could be concluded

**Table 1.** Descriptive statistics.

| Variable | Number | Minimum | Maximum | Mean | Std. deviation |
|---|---|---|---|---|---|
| Revenue | 750 | 2,137.9 | 495,012.0 | 11,792.150 | 27,195.8324 |
| Employees | 750 | 0 | 2,300,000 | 42,176.49 | 104,673.117 |
| Family shareholding | 750 | .0 | 100.0 | 70.074 | 24.2509 |
| Valid number (list wise) | 750 | | | | |
| Revenue | | | | | |
| Private | 370 | | | 9,483.406 | 14,741.5286 |
| Public | 380 | | | 14,040.138 | 35,210.9911 |

*Source*: made by the author on the base of Bain (2019).

**Table 2.** Correlation between family shareholding and company's revenue.

| Variable | Family shareholding | Revenue |
|---|---|---|
| Family shareholding | | |
| Pearson correlation | 1 | −.053 |
| Sig. (2-tailed) | | .144 |
| *N* | 751 | 750 |
| Revenue | | |
| Pearson correlation | −.053 | 1 |
| Sig. (2-tailed) | .144 | |
| *N* | 750 | 750 |

*Source*: calculated by the author on the base of Bain (2019).

**Table 3.** Linear regression analysis for private family firms.

| Model | Sum of squares | df | Mean square | *F* | Significance |
|---|---|---|---|---|---|
| 1 | | | | | |
| Regression | 766,962,864.998 | 1 | 766,962,864.998 | 3.554 | .060 |
| Residual | 79,421,410,989.128 | 368 | 215,819,051.601 | | |
| Total | 80,188,373,854.126 | 369 | | | |

*Source*: made by the author.

that the model is statistically significant. Hence, the null hypothesis that there is no statistically significant relationship between corporate governance of private family firms and their financial performance is accepted. On the basis of these findings, it could be concluded that for private family companies the share of power owned by family members does not have a statistically significant impact on the company's revenue.

### *Public firms*

For public family companies, a linear regression model of the impact of corporate governance on the financial performance provided the following results: $F$ (1, 378) = 1.000, $p$-value = 0.318 > 0.05 (Table 4). Since the $p$-value exceeds the level of chosen statistical significance, the model is not statistically significant. Hence, the null hypothesis that there is no statistically significant relationship between corporate governance of public family firms and their financial performance is accepted. Therefore, it could be concluded that for public family firms the relationship between the value shares owned by family members and company revenue is not statistically significant.

### *Private and public companies*

The third linear regression model was utilised to discover the relationship between corporate governance on the financial performance for all companies regarding their listing status. The outcomes of the model are the following: $F$ (1, 748) = 2.138, $p$-value = 0.144 > 0.05 (Table 5). Hence, the model is not statistically significant, and it could be concluded that the null hypothesis is accepted. Besides that, the distribution of values of family shareholding and revenue is provided on the Figure 2.

## *Independent samples t-test*

In addition, the relationship between the listing status (private or public) and financial performance was also investigated for family firms. For this purpose, an independent samples $t$-test was conducted. Since the $p$-value =

**Table 4.** Linear regression analysis for public family firms.

| Model | | Sum of squares | df | Mean square | $F$ | Significance |
|---|---|---|---|---|---|---|
| 1 | Regression | 1,240,250,792.618 | 1 | 1,240,250,792.618 | 1.000 | .318 |
| | Residual | 468,649,214,593.565 | 378 | 1,239,812,737.020 | | |
| | Total | 469,889,465,386.183 | 379 | | | |

*Source*: made by the author.

**Table 5.** Linear regression analysis for private and public family firms.

| Model | Sum of squares | df | Mean square | $F$ | Significance |
|---|---|---|---|---|---|
| 1 | | | | | |
| Regression | 1,579,192,900.874 | 1 | 1,579,192,900.874 | 2.138 | .144 |
| Residual | 552,391,168,978.811 | 748 | 738,490,867.619 | | |
| Total | 553,970,361,879.686 | 749 | | | |

*Source*: made by the author.

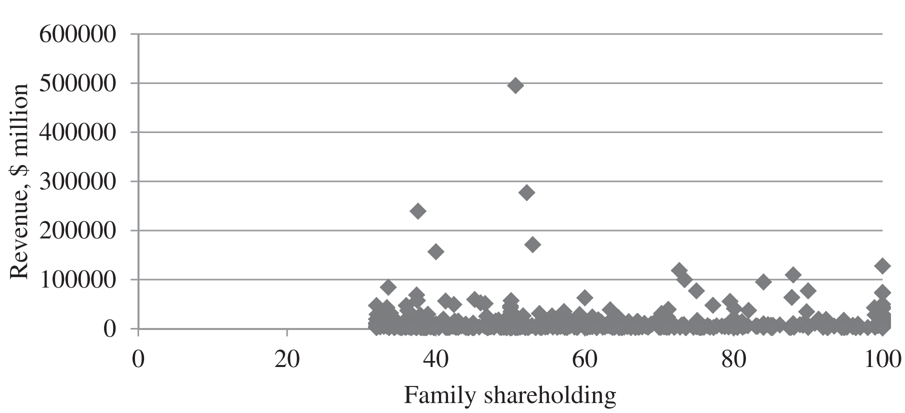


**Figure 2.** Relationship between family shareholding and companies' revenue (made by the author).

**Table 6.** Independent samples *t*-test.

| | Levene's test for equality of variances | | *t*-Test for equality of means | | | | | 95% Confidence interval of the difference | |
|---|---|---|---|---|---|---|---|---|---|
| | *F* | Sig. | *t* | df | Sig. (2-tailed) | Mean difference | Std. error difference | Lower | Upper |
| Revenue | | | | | | | | | |
| Equal variances assumed | 10.007 | .002 | −2.301 | 748 | .022 | −4,556.7326 | 1,980.6113 | −8,444.9509 | −668.5144 |
| Equal variances not assumed | | | −2.322 | 510.734 | .021 | −4,556.7326 | 1,962.1416 | −8,411.5946 | −701.8707 |

*Source*: made by the author.

$0.02 < 0.05$ (Table 6) the test results are statistically significant. So the null hypothesis of the Levene's test for equality of variances is rejected. On the basis of the *t*-test results, it could be concluded that there is statistically significant difference in revenue gained by private and public family firms. In particular, the average revenue generated by public family companies during 2017 financial year was $14,040.138 million, while the average revenue generated by private family companies was $9,483.406 million (Table 2).

Therefore, linear regression models developed to analyse the relationship between family shareholding and revenue for family companies were not statistically significant. Moreover, utilisation of listing status (private or public) as a moderate variable provided similar outcomes. Hence, it allowed accepting null hypotheses and concluding that there is no statistically significant relationship between corporate governance and company's financial performance.

## Discussion

The purpose of the research was to investigate the impact of corporate governance on the transparency, financial performance, and firm market value of the family business in the UAE. Oudah et al. (2018) conducted a quantitative research for three biggest by the revenue family-owned UAE companies. At the result, family businesses contribute to 60% of GDP and it is estimated that $2 trillion will pass to the next generation of family businesses during the next decade (PwC, 2018). It should be noted that since chosen companies did not provided primary data required for the research, a secondary data was further utilised to analyses research hypothesis. For this purpose, secondary data provided by the Family Capital's at "The World's Top 750 Family Businesses Ranking" was chosen. In particular, the following four UAE family businesses were included into the chosen data set: Majid Al Futtaim Holding LLC, LuLu Group International, Consolidated Contractors International Company SAL, and Kuwait Food Company (Americana Group).

Hence, the analysis of the transparency of the UAE family companies showed that in general family companies are not striving to provide a public access to their financial reports Arif et al. (2020). This can be illustrated by a fact that chosen family businesses refused to provide data about their corporate governance and financial performance to the researcher. Among chosen firms only one company (Majid Al Futtaim Holding LLC) was continuously providing its annual reports with a public access. These reports included data on the company's financial performance, funding strategy and other documents related with its investor relations. Therefore, research allowed concluding that for the UAE family companies there is no common practice to provide public access to their financial reports and companies' transparency is low. This conclusion is consistent with the findings provided by other researchers. In particular, Jara et al. (2019) agreed that Saudi family businesses are characterised by low transparency, which in turn leads to concerns expressed by shareholders other than family members. Moreover, similarly to the present research findings Sahni et al. (2017) also discovered that a lack of transparency is a common issue for family businesses. Thereby, the present research supported ideas expressed by other researchers that family businesses lack transparency, which could lead to significant concerns related with the dual nature of relationships between company's management and ownership and result in concern for family-owned-businesses.

Implication of linear regression model analysing the relationship between corporate governance and firm's revenue showed that there is no statistically significant relationship between corporate governance and company's financial performance. Moreover, the absence of their relationship was proved both for private and public companies. However, it should be noted that independent samples *t*-test allowed discovering that there is a statistically significant difference in revenue received by private family companies and public family companies. In particular, it was discovered that public family companies receive annual revenue, which is 1.5 times higher than annual revenue received by private family companies.

The results of linear regression analysis did not support findings provided by other surveys. In particular, Kahveci and Wolfs (2019) emphasised a positive influence of involvement of family members into company's management and business efficiency. On the opposite, Murro and Peruzzi (2019) stated that long-term family ownership have an adverse impact on the financial performance, which can be explained by a fact that companies become bigger and face challenges related with the necessity to continue ensuring flexibility and adaptability of their business processes. However, a present research showed that there is no statistically significant relationship between the level of family ownership and business performance. These findings correspond with the results received by Yılmaz (2018), whose analysis of Arabian family businesses showed a weak relationship between corporate governance and financial performance. Therefore, in general, the present study allowed discovering that the level of family ownership does not have a significant impact on the level of companies' revenue.

In addition to it, differences appearing in the revenue for private and public family firms were also investigated. In particular, it was discovered that average revenue received by public family firm is almost 1.5 times higher than average revenue received by a private family firm. This outcome is opposite to Murro and Peruzzi (2019) research suggesting that family companies usually experience decrease in their financial performance after moving to a publicly traded firm. Hence, the present research showed that public family companies are able to generate higher revenue than private family companies, which can be used while formulating recommendations for future business development strategies of family firms.

## Conclusion

This survey implemented a secondary data analysis, which allowed discovering whether there is a significant relationship between the family ownership and business performance. The need to conducting this kind of the research appeared from the fact that nowadays family businesses are contributing to a significant share of the UAE economy. In addition to challenges faced by non-family companies, family-owned businesses have to deal with specific challenges, such as the agency conflicts appearing between company's managers and owners. Therefore, an analysis of the impact of family ownership and company's transparency on business performance could allow discovering whether family ownership could have any adverse effects on company's revenue.

The conducted analysis showed that the relationship between family governance and business revenue is not statistically significant. However, it should be noted that family companies still face significant concerns about their transparency, which could limit their performance opportunities. Moreover, it was also discovered that public family-owned businesses are more successful in generating revenue than private family-owned companies. Therefore, the research provides an impetus for family businesses leaders to consider means of implementing or enhancing strategies of family businesses development focussing on the following points. Firstly, companies should consider going public via initial public offering (IPO). It is expected that this step will allow limiting the agency conflict appearing between company's managers and owners and ensure more focussing on business interests. Moreover, IPO will also require the company to become more transparent to the public, which is also considered to be one of the motivational factors for increasing the efficiency of business. Nevertheless, companies could still behave as public, and stay private at the same time. Therefore, private family companies will be able to benefit from increase in their business transparency without transferring ownership to non-family members.

### *Limitations*

There were several limitations of the research, which should be considered while evaluating study findings. A major limitation for the research is the absence of free access to data necessary for conducting a quantitative evaluation of corporate governance and financial performance. Due to the fact that chosen UAE firms are privately-owned, the majority of them did not provide a public access to their financial reports and other documents that can be used to evaluate and compare their financial performance. Moreover, companies also refused to deliver their insider information for the external researcher, and, therefore, questionnaire response rate was zero. In this case, in order to investigate the research question a secondary data analysis was conducted. Secondary data was provided by the Family Capital survey "Top 750 Top Family Businesses," which in conjunction with PwC investigated the level of revenue of the biggest global family companies and their family ownership. Therefore, only the relationship between family ownership and companies' revenue was analysed using linear regression model, which limited the primary scope of the research.

Respectively, the next limitation is based on using secondary data collected for other purposes, which limits researcher's ability to properly analyse chosen research area. Besides that, an analysis of companies' transparency was limited by a small number of the UAE family companies chosen for the research. Thus, transparency was evaluated only for four firms that were listed in the Top 750 Top Family Businesses, which might cause a respondent bias. Finally, a researcher bias could also appear as chosen measures might not properly measure research variables.

### *Recommendations*

In order to manage study limitations future research should be conducted. Firstly, it is recommended to extend future research by the primary data, which will be collected directly from companies. This method of data collection poses significant concerns since companies might refuse to provide their private financial data to outsiders. Therefore, a convenience sampling method is recommended for collecting future study sample. In particular, it is recommended to send invitations to all family-owned companies from the top 50 biggest family businesses in Saudi Arabia until the necessary response rate will be gained. Besides that, in order to ensure higher response rate it is recommended to support from famous institutions, which might be interested in receiving results of such kind of survey, for instance PwC, Deloitte, and other. It is expected that in this case companies will express more confidence to the survey participation.

In addition to it, it is also recommended to utilise additional parameters, which will allow investigating the relationship between corporate governance and company's performance. In particular, future research could also cover non-family-owned public and private companies located in Saudi Arabia. Therefore, these groups of companies will be used as benchmarks for business performance comparison with family-owned companies. This step will allow limiting the respondent bias and ensure higher reliability of future research findings.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

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