

A Theorizing About Family Business & Family Firms Governance**تنظير لحوكمة المشاريع العائلية والمؤسسات العائلية****Hami Mohamed Lamine¹, Sekiou Anwar²**¹ University Ibn Khaldoun - Tiaret (Algeria), mohamedlamine.hami@univ-tiaret.dz² University Ibn Khaldoun – Tiaret (Algeria), anwar.sekiou@univ-tiaret.dz**Received:** 02/12/2025**Accepted:** 22/12/2025**Published:** 31/12/2025**Abstract:**

Analyzing the concept of companies and family investments. Economically and through managerial channels is so important. by putting the Algerian reality face the global image of the continuous development of brutal capitalism.

In this research paper, we will integrate theoretical frameworks and perspectives pertaining to family business governance and its impact on the sustainable improvement of the global economy. This research will also address the interests and the role of pioneers of financial investment through examining certain regulations of companies and demonstrate their resilience. Moreover, the factors that affect family business governance. Finally, the paper will conclude with the discussion of business councils and the role of the family as a unit of organizational analysis and evaluation.

keywords: Family business governance, resilience, business councils, family analytical unit.

JEL Code : M12, G32, G34

ملخص:

إن عملية وضع مفهوم الشركات والاستثمارات العائلية تحت مجهر التحليل والتدقيق الاقتصادي والتسييري أمر ذو أهمية كبيرة، من شأنه أن يضع الواقع الجزائري أمام الصورة العامة للتطور الرهيب في أبعاد الاقتصاد العالمي من جهة وكذا ديناميكية الرأسمالية الشرسة من جهة أخرى. تجردون في هذه الورقة البحثية، توظيفاً لمفاهيم وتنظيرات حوكمة الشركات العائلية والتحسين المستدام لها الصيغة الاقتصادية العالمية (نوعية ملكية الشركات العائلية) الرائدة في الإستثمار المالي والتوسعي العابر للقارات. من خلال تأثير عوامل الحوكمة الرشيدة عليها والاطلاع على تنظيمات هاته الشركات ومدى استمراريته، كي نستنتج أخيراً وضع مجالس الأعمال بها وكذا دور الأسرة والعامل الأسري كوحدة تحليل وقياس لها هاته الشركات. الكلمات المفتاحية: حوكمة الشركات العائلية، الاستمرارية، مجالس الأعمال، وحدة الأسرة التحليلية.

تصنيفات: M12, G32, G34

INTRODUCTION:

Family business possesses many characteristics that add further complexity to its path by occurring a particular challenge. These businesses contain a complex structure, such as: family members, senior management, and boards of directors. This situation undoubtedly leads to a lack of clarity and ambiguity in governance relationships within family businesses. Furthermore, family managers often monopolize the majority of the company's important decisions, and the emotional ties resulting from the family business' ownership pattern may limit the company's focus on achieving conventional economic objectives. Based on the above, we can conclude that the nature of the family business and its inherent characteristics and attributes compel us to reconsider most—if not all—of the assumptions underlying traditional theories of governance in this type of growing business. Considering the dual nature of the economic and non-economic objectives that family businesses seek to achieve, as well as the complexity of stakeholder structures (Dr. Amr Alaa El-Din Zidan, 2009), we find that family businesses require a governance structure that ensures the interconnectedness of these complex structures. In addition to administrative oversight and control, family businesses need to design governance structures that simultaneously foster cohesion and a shared vision within them, protecting them from destructive conflicts. The first goal can be achieved through the use of formal control methods that minimize opportunism and exploitation of opportunities, and by monitoring the rights and duties arising from the application of agency theory. The second goal requires the application of social control, which promotes social relations and formulates a shared vision among the various stakeholders in the family business (Mustakallis, M. E., Autio, S.A. Zahra, 2002).

In this research paper, we will attempt to summarize a general theoretical framework on the subject of governance for this type of business, as well as to consolidate a sound understanding of its unique characteristics compared to the private sector.

1. Establishing knowledge about family business governance :

Family businesses play an important role in achieving high levels of economic growth and providing significant employment opportunities. Furthermore, they contribute to the gross domestic product (GDP) in various major economies. For example, the number of family businesses in the United States has reached approximately 20 million establishments, representing approximately 49% of the gross domestic product (GDP), employing more than 90% of the workforce, and helping to provide 75% of new job opportunities. In the European Union, this typ

of business represents approximately 70% to 95% of all existing companies, and its contribution to the gross domestic product reaches approximately 70%, a significant percentage compared to other economies. In the Arab region, these companies represent approximately 95% of all operating companies and contribute approximately 70% to Arab economies. What makes this type of business so important is that it has witnessed a significant degree of expansion and prosperity in various regions of the world, in light of the multiple advantages it achieves, identified by experts and specialists. Perhaps the most important of these is the combination of the profit incentive with maintaining various social dimensions, ensuring administrative stability and a decision-making mechanism, leading to increased productivity and profits, and increased trust between market participants and company

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

executives, especially if the family that owns the company enjoys a good reputation. This also promotes the principle of specialization and the inheritance of expertise, which increases the capabilities and skills of its employees and unites the interests of the company's owners, "This emphasis on structured governance and adaptation finds parallel importance in other institutional sectors, where digital transformation is actively reshaping governance models to enhance efficiency and transparency (Ziane, 2025)."

• **First:** The Importance of Governance for Family Businesses

The need to practice corporate governance stems from the separation of ownership and management. In family businesses, we find that there is no separation between management and ownership. This means that the owners of the company are the board of directors, as is the management. This creates conflicts and impacts the company's progress. On the other hand, family problems affect the company's decision-making process. This is very evident in family businesses, which constitute a large percentage of small businesses. Most of them are family-owned. Therefore, we find that corporate governance is designed to be fundamental to these businesses. However, we find that most family businesses do not tend to recognize the importance of corporate governance for several reasons, including

A. Disclosure of their data, position, and plans relative to competing companies. B. A small shareholder who owns a small number of shares should be aware of the true situation within the company.

C. In some companies, we find that customs and adherence to them are far more important than the application of corporate governance.

C. Avoid appointing non-family members to sensitive positions, as this could affect their social standing.

Second: The impact of spatial diversity on governance practices in family businesses. Corporate governance manifests itself in many forms from one place to another. Due to economic, political, and social diversity, it is impossible to determine a unified path or specific standards for implementing governance and generalizing it to private companies, particularly family businesses. Thus, each geographic region must take the initiative and define standards and paths that suit its economic situation and make the application of the concept of governance appropriate and effective in the context of private sector reform and development (Houtia, 2025). Both the public and private sectors in each country must study the laws and regulations that govern the operation of private sector institutions, particularly family businesses, and examine their current conditions. They must then call for a dialogue on establishing systems and laws that define the operation of the private sector and family businesses and the systems upon which they should be based. These systems will contribute to enhancing economic growth by strengthening companies' ability to compete in global markets.

• **Third:** Ownership and its relationship with the family

Family ownership groups not only concentrate control in the hands of family members but are also often characterized by a strong attachment to their companies. Families may have a sense of moral duty toward other stakeholders in the company and may also view their businesses as a means of making a positive contribution to society. Furthermore, family

business owners often view their companies as a social legacy, established and developed by previous generations and to be continued by future generations. The lack of available liquidity is also an important difference between publicly held and family-owned businesses. It is often difficult to relinquish ownership of family businesses, and some families place legal restrictions on the sale of shares. Many family businesses are also owned by individuals. Tax policy can also come into play, making selling shares in family businesses more expensive than continuous ownership. Owning shares in a family business tends to consolidate individual wealth into assets. One is that in family ownership groups, a disproportionate percentage of the net worth of many individuals is invested in the family business. This means that family business owners, as a group of investors, have less diversification and higher risks than they would face if they were investors in the broader stock market. Such heightened risk drives family business owners to prioritize their investments and tends to make them more active and involved in the business. This, in turn, makes families more committed to fixing their companies' shortcomings rather than escaping them economically. Sometimes, the concern for preserving the family's reputation can seem as important as preserving the collective family investment in the business (Ghadban Hussam El-Din, 2011).

- **Fourth:** Key Family Business Governance Tools:

Two key elements that together form the family business governance system are the family constitution, which clearly states the family business's vision, mission, and values, and the policies that govern the relationship of family members with the business. Family businesses, which may have diverse natures and objectives, include the family association, family council, family office, shareholders' assembly, and other family committees.

Since family businesses often have a longer-term vision than non-family businesses, their governance systems must therefore be robust and wellstructured. These systems must meet the expectations of the family and society while ensuring efficient, profitable business operations. Since family businesses are a pillar of Arab economies, developing state-of-the-art governance systems is essential to ensuring sustainability and continuity—whether in large merged entities or at the level of small and medium-sized enterprises (SMEs) managed by families.

2. Family Organizations and the Power of Families

These family organizations vary and are known by different names from one family to another. These organizations may be highly formal, exist in a variety of informal forms, and may differ in timing, depending on the family's stages of growth and development, the stages of development of the company's ownership pattern, and the company's organizational growth and development (Neubauer, F. and A.G. Lank, 1998).

Despite the multiplicity and diversity of forms and names of family organizations, as previously mentioned, we have been able to identify the following:

- 📖 Family Retreats

- 📖 Periodic Family Meetings

- 📖 Family Council

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

- 📖 Family Assembly
- 📖 Family Committees
- 📖 Family Offices

The common factor among these family organizations is the ability to exchange views and communicate, the ability to negotiate, build bridges of trust, and achieve family cohesion. Most importantly, these regular organizations provide the mechanisms and processes necessary to reach agreement among family members on the "friendly rules," or in other words, the internal family policies, to determine the framework within which the family business operates, and to determine the method of managing the relationship between the family, the board of directors, and the company's senior management. In other words, family organizations should work to clarify the family's goal, its aspirations, expectations, and core values. This is preferably achieved through written "family statements" approved by the family association, the family council, or family meetings. There should also be complete clarity and distinction between the roles assigned to each of these family organizations, on the one hand, and between these family organizations collectively and the board of directors and the company's senior management, on the other. The values and ideals that the members of the royal family are raised on, as well as the ability to sense the goals the family seeks to achieve, are the primary source of strength and energy for the family business. In fact, a successful royal family with strong values may be the greatest source of strength for the business.

On the other hand, Whiteside expressed these sentiments by saying:
"A strong, cohesive family brings a great deal of potential to the business it owns."

In his classic novel *Anna Karenina*, the great writer Tolstoy stated that "Happy families are all alike; unhappy families arrive at their own unhappiness." Every unhappy family is unhappy in its own way.

3. Continuity in the Family Business

The life cycle of most family businesses after their founder is very short, and 90% of family businesses do not survive beyond the third generation of ownership. The main reason for this is complexity and informality due to the absence of clear practices and procedures and a lack of discipline. The development of a family business can be divided into three stages: the founder stage, the sibling involvement stage, and the kin union stage. The following table summarizes the main governance issues facing family businesses throughout their development cycle (Khaled Mohammed Kanoo, 2016).

The following are six steps that can help maintain the continuity of the business:

1) Step One: Developing the Family Articles of Association

The family's articles of association are a statement of principles that summarizes its commitment to the core values, vision, and mission of the business. It serves as a living document that evolves as the family and business grow together. A typical family article of association includes the following elements:

- Family values, mission statement, and vision

- Family bodies such as the family association, family council, education committee, and family office
- Authority, responsibility, and relationships among family members board of directors, senior management, etc.

2) Step Two: Forming Family Governance Bodies

Family governance bodies help foster harmony and a strong relationship between the family and the business. The type of body to establish depends on the size of the business, the family's stage of development, the number of family members present, and the degree of family involvement with the business.

Family Association: A formal forum that meets once or twice a year to discuss business and family issues. The family association is open to all family members, with some restrictions regarding minimum age, participation by in-laws, and voting rights. The role of this association is to approve the family's vision, values, and policies, and to elect committee members.

Family Council: This is the association's governance body. It consists of five to nine members elected by the family association. This council meets two to six times a year and serves as a link between family members, the board of directors, and senior management, proposing candidates for the board, formulating family policies, etc.

Family Office: This is the investment and management center organized and supervised by the family council. The office handles family members' personal investments, taxes, insurance coverage, estate planning, professional consulting, and other areas of particular interest to all family members and is managed by specialists.

Other family bodies: Depending on the size of the business, committees may be formed for education, share redemption, career planning, family reunification, and entertainment.

3) Step Three: Form an Advisory Board and Board of Directors

When the complexity of family business increases, it becomes necessary to establish an advisory board and board of directors. This allows the family business to be more organized and focused.

Advisory Board: The Advisory Board consists of a group of respected, experienced members who are not family members. Members are typically experts in the family business's industry and market or in other fields such as finance, marketing, and global markets. Over time, and once the family sees the added value of the Advisory Board, some of its members are invited to join the company's Board of Directors.

Board of Directors: In family businesses, the Board of Directors consists of family members and senior managers. The board oversees strategic matters, succession planning, financial matters, internal controls, risk management, and reporting to owners and other stakeholders. The presence of independent directors at board meetings can play a vital role. Independent directors can provide an outside perspective on strategy and oversight.

4) Step Four : Develop a Family Employment Policy

Many family businesses that do not have clear employment policies end up with more family members than they need. As the business reaches the stage of sibling involvement, developing a family employment policy becomes essential. This requires setting clear rules for entering, staying, and leaving the business. The policy should also include how family employees are treated compared to nonfamily employees.

5) Step Five: Succession Planning

Many family businesses postpone succession planning or the transfer of ownership of senior managers until the last minute, leading to a crisis. This may actually be one of the reasons why most family businesses disappear before reaching the third generation. A successful succession plan should allow for the selection of the most qualified individuals, whether family members or not. In addition, it is essential to involve all family members, the board, senior managers, and other significant external stakeholders in the selection process and ensure their approval of the next choice.

6) Step Six: Family Member Exit Strategy

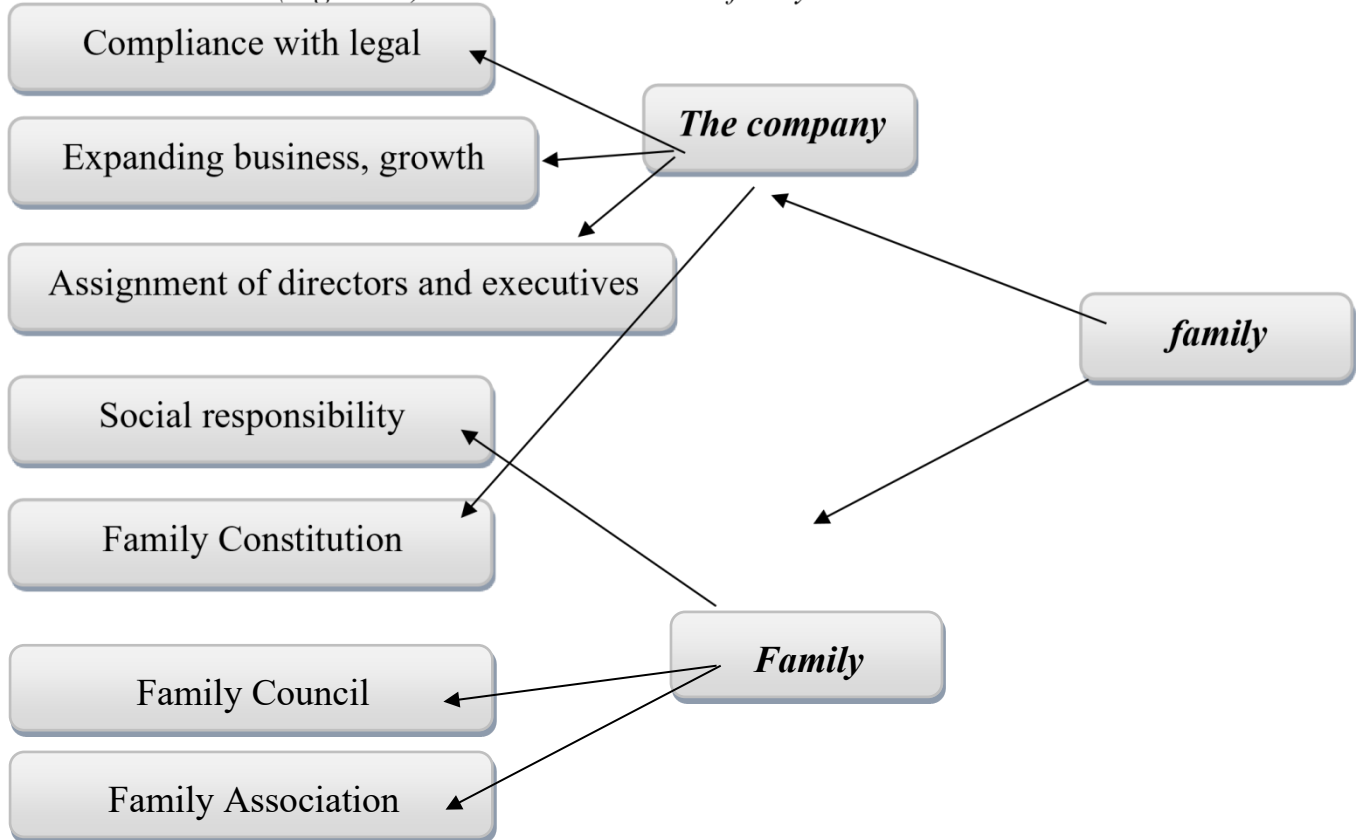
The mechanisms that allow family members to sell their shares if they prefer to leave the family business must be clear. Preparing an exit strategy in advance helps avoid many disputes and increases the chances of the company's continuity. Some family businesses establish a "share buyback fund" to buy back any shares that family members wish to liquidate. The fund is typically funded by contributing a small percentage of annual profits.

Good corporate governance, through accountability to the board of directors, leads to better economic performance. Accountability for responsibility simply improves the company's ability to generate wealth, and the proven knowledge of being subject to audit and review improves accountability and performance at all levels of the organization. Studies have proven the link between good governance and successful corporate performance when studying companies that derive from governance practices.

We also find that good corporate governance, through board oversight, reduces the cost of capital and provides confidence in entering and remaining in markets. 4. The impact of governance factors on family businesses .

The governance process in family businesses is undertaken by many bodies that can be mentioned in the following points (Hada Sami Saleh, 2010):

(Figure 01): Governance bodies in family businesses



Source: Jadah Sami Saleh, "Guide to Applying Good Governance Rules in Family Businesses," International Finance Institute, Beirut, Lebanon, 2010, pp. 35-37.

5. Meetings and Business Councils in Family Businesses

The Evolution of the Concept and Forms of Family Meetings:

There is a need to achieve a balance between the needs and requirements of the family business and the needs and desires of the family members who own it, which are often at odds with each other. Achieving this balance requires appropriate methods and tools that improve the efficiency and effectiveness of the business's performance while simultaneously achieving family cohesion, security, and peace. An important question arises here: How can a family business benefit from the presence of the family as the primary driver and motivator of the business? How can the family maximize the potential of the family business as an opportunity for family growth and the enhancement of its capabilities and potential, as well as for promoting the family's values and dreams in the community in which it lives? (Dr. Amr Alaa El-Din Zidane, 2004).

(Table 1): How do family members prepare for their first family meeting?

Here are some suggested personal questions:
☐ What am I striving to achieve in my life, in my work, and in my future career?
☐ What is my goal? What is the nature of the environment in which I would like to work? d
☐ What values do I believe in?

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

☐ What values does my family believe in?
☐ What does the business represent to me and my family?
☐ What topics would I like to discuss with family members?
☐ What resources are available to my family, and how can we invest them?
☐ How are powers and responsibilities distributed between the family and the family business management?
☐ What are the principles and rules that should govern the relationship between family members?
☐ What are the rules governing the handling of family problems and conflicts?

Source: Aronoff and Ward, 1992.

Family meetings are the simplest and most common method used by business families to achieve integration between the business and the family. Business families often resort to this approach in the early stages of establishing a family business, a stage characterized by the founder's control over the business, or what is known as the entrepreneurial stage. These meetings tend to be informal in the beginning and may initially be limited to the business owner and his or her spouse. These meetings are often devoted to discussing family and/or business issues.

These meetings may take a regular form, to the point of becoming daily meetings. Pillow Talks can be considered one form of these meetings. As the business owner's children grow older, their opportunities to participate in the discussions that take place at these meetings increase. In the early stages of children's lives, family meetings focus specifically on family issues, such as distributing daily chores among family members and determining weekly allocations for family members.

provides a guide to the questions that should be on each family member's mind when preparing to attend their first family meeting.

When power is transferred to the second generation of the family (the sibling generation), we can distinguish between three types of family meetings: A. Sibling Team Meetings:

These meetings bring together the siblings who share in the management of the family business. They meet regularly, once a week if possible, to review organizational performance, plans, and policies, as well as to exchange information. If all shareholders participate in the management of the company, there may be no difference between owners' meetings and sibling meetings. B. Family Meetings:

These meetings include all children. Spouses, possibly children, and parents. These meetings are held at least once a year and aim to provide an opportunity for all family members to discuss issues related to the family's future, charitable work, family estate planning, family vacations, and other similar matters. This type of meeting is a way to ensure the proper flow of information among family members.

C. Board Meetings unlike the administrative governance arrangements, the board of directors of a family business is a legal organization, stipulated in the company's articles of incorporation. This special status gives the board special rights and responsibilities, such as monitoring the performance of the company's CEO and deciding whether to continue or terminate his or her service in the company, although such matters are considered unusual in the world of family businesses. These rights and responsibilities place greater obligations on managers, which may lead some executives to refuse to join family business boards. For this reason, and others, many family businesses prefer to restrict their board membership to family members and use boards of directors. Advisory Boards as complementary organizations to the Board of Directors.

Some large families with multi-generational family businesses establish family offices that provide and organize a variety of advisory services to family members and shareholders on various topics, such as family investment planning, inheritance management, insurance coverage for family members, marriage and future counseling, and other issues of interest to the family. These family offices may also publish a newsletter for the family and its business.

1. The Importance of Family Meetings:

Family meetings are an important method for identifying the family's sources of strength, as well as for maximizing the family's potential and capabilities.

These meetings help the family plan for the future of the business in a systematic and constructive manner. They can also overcome the difficulties associated with transitional phases in the business's life, such as appointing a new leader or instilling a spirit of professionalism in the management of the business. These meetings also aim to avoid painful and costly conflicts by helping the family identify problems related to family business ownership early and address them in a civilized manner.

Family meetings are one of two critical steps a business owner can take to ensure the continuity of the family business (along with the second step of forming an effective non-family board of directors). Once family meetings begin, they are often driven by the family itself, and begin to shape the family's organizational message and identify family education projects, shared vacations, charitable giving, shaping the family's history, funding scholarships or venture capital, and other creative endeavors and activities.

2. Family Meetings—Unjustified Fears:

If family meetings are so important, why do less than 10% of business families use this method? This percentage is also confirmed in the Arab world. In a recent survey conducted by the author among 50 Arab family business owners and founders regarding the methods used to coordinate the perspectives of the owning family and the family business, it became clear that most of those surveyed relied either on the intervention of the family elder to impose his opinion to resolve disputes or on emergency family meetings (as needed) at most. None of them indicated any benefit from relying on planned family meetings or the presence of a family council.

Despite this, there are still some families who believe there are strong reasons to initiate family meetings, even in the early stages of family business formation.

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

3. Family Meeting Agenda:

Preparing a specific agenda for the family meeting is important. It helps to limit discussions to the intended scope and conveys a sense of the importance of this event to family members. Therefore, family meeting agendas should be prepared to provide a structured event with clear and specific objectives. These agendas should be printed and distributed prior to the family meeting. The meeting agenda should also include topics of common interest to family members. The family meeting coordinator can interview family members and learn about their opinions and concerns. Table (1) shows some examples of questions the family meeting coordinator asked family members when preparing the agenda for the first family meeting. Table (2) shows a list of issues the family meeting coordinator identified through interviews with third-generation members of a business family. Once this list was completed, it was distributed to family members to obtain their feedback, with the goal of assisting in the preparation of family meeting agendas. In addition to identifying the main issues of concern to family members, the family meeting coordinator must ensure that the final agenda is clear, precise, and specific.

(Table 2): Family Meetings Questionnaire Form

• In your opinion, what are the main reasons that have contributed to the continuity and growth of the family business to date? • What is your impression of the current performance of the family business and its expected future strategic directions? • What would you like to know about the family business, its objectives, strategies, and performance? • Do you envision the possibility of more third-generation family members joining the family business? What "joining rules" do you believe should be applied to them? • Do you envision the possibility of fourth-generation family members joining the family business? Is this necessary, in your view? Why? What joining rules do you believe should be applied to them? • What difficulties are the family expected to face when the company's leadership transitions from the current generation to the next within the next few years? Is the current generation willing to leave their positions in the company? What issues do you believe require more attention regarding the sale of shareholdings, the company's share valuation, or the company's dividend policy? • What issues do you believe require more attention regarding the sale of shareholders' shares, the valuation of the company's shares, or the company's dividend policy? • What beliefs, values, customs, or family models have a significant influence on our thinking and future as a business family? • What would you like the family to achieve, whether through its company or outside of it, over the next five to fifteen years?
--

Source: Aronoff and Ward, 1992

Table 3: Key Issues Concerning Family Members (Based on Family Member Interviews)

What is the appropriate method for planning the transfer of power and leadership of the company to the next generation? Can three or more ambitious family members easily and smoothly participate in the management of the company?
☐ What is the appropriate career path for talented family members, given the family tradition of ascending the ladder from the beginning and not hiring nonfamily members? ☐ How can we ensure harmony and cooperation among the family members? How can we form teams of sons and cousins to own the company? ☐ What is the appropriate way to provide family members who are not involved in managing the company with information and events related to the company's areas of work? ☐ What is the appropriate way to establish stronger relationships among family members? ☐ How close and connected do we want to be among family members? Do we want to be a group of competing shareholders, or do we want to be a closely knit family? How can we achieve this? ☐ What is the appropriate method for the retirement of the company's founder and his wife? What is the appropriate method for family members to join the company? ☐ What is the appropriate method for determining salaries and bonuses for family members working in the company? What is the expected composition of the company's board of directors in the future? What are the expected roles of the company's senior management, directors, and shareholders?

Table 2: Sample Agenda for a Family Meeting on August 28, 2003

1. Uncle Mahmoud Al-Arabi will present a comprehensive summary of the family's business history, highlighting the family's contributions and charitable work to the community throughout its history. 2. Review the company's business results and approve its goals and plans for the coming year. 3. Review and approve the family's activities during the past year. 4. A lecture to develop the capabilities and skills of family members entitled "Developing Listening and Speaking Skills" Presented by Dr. Salma Zidane. 5. A discussion about the values that the family believes in: Each family member lists two or three values they believe the family should focus on. It is preferable to include positions that support these views. 6. A presentation by the chairman of the company's Board of Directors' Compensation Committee regarding the rules for determining the compensation and salaries of family members serving on the Board of Directors. 7. A special celebration for the graduation of our dear grandson, Haitham Zahran, from the Faculty of Engineering in June 2003. 8. A family lunch on the Nile Pharaoh.
Ten Benefits of Effective Family Gatherings:

Source : Aronoff and ward,1992

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

Table4 : Benefits of Family Meetings

Benefits:
1. Strengthening the family's position
2. Strengthening the family business's position
3. Planning for the future of family business ownership
4. Planning for family participation in family business management
5. Assisting children in managing inherited wealth
6. Discussing the process of transferring power from one generation to the next in public.
7. Preserving family values, traditions, and history
8. Instilling a spirit of professionalism in family business management and coordinating the prevailing relationship between the family and the company's board of directors
9. Identifying and resolving family conflicts, disputes, and disputes.

Source: Aronoff and Ward, 1992

6. Introducing the Family and the Family as a Unit of Analysis

Family business studies have focused primarily on the business system, almost neglecting the family system (James, A.E., Jennings, J.E., and Breitkruz, R., 2012). Many scholars from various fields advocate for the need to pay more attention to the family variable, such as Aldrich and Cliff, Bertrand and Schoar, Danes, Dyer Jr., and Litz, as well as Melin, Rogoff, and Heck, since families are a distinguishing feature from other forms of organization, and to better capture and understand the differences between family businesses (Sharma, P., Melin, L., and Nordqvist, M., 2014). Furthermore, the family is viewed as a transformer of various forms of capital (e.g., social, cultural, financial, and human) (Danes, Sørensen), which requires a deeper understanding of how this manifests itself. The dynamics of family businesses depend largely on the way each family operates (Corbetta, G., and Salvato, C., 2014). In their chapter on "Social Theories Applied to Family Business," Martinez and Aldrich explain the high regard families hold in sociology for various reasons. On the one hand, one group of scholars praises families for their ability to create social and geographical mobility and to socialize and nurture children and adults. In contrast, another group of scholars (Marxists) portrays families as dominant relations of production that are reproduced over time. Thus, family businesses perpetuate inequality because entrepreneurial values are transmitted across generations, as is the habit of possessing wealth and providing the resources necessary to pursue entrepreneurial activities. Interestingly, empirical studies have not found consistent relationships between wealth levels and the propensity to start businesses (Kim, P.H., H.E. Aldrich, and L.A. Keister, 2003).

Families play an important role in children's development, nurturing and socializing them (Parsons and Bales), while transmitting various values associated with business and business development. This is an important issue to consider in the study of families in the family business field, because the way the family operates will determine the dynamics of the family business (Corbetta and Salvato; Nordqvist et al.), and thus the future behavior of

children toward the family business. Previous studies that take the family into account have contributed interesting insights into the field of entrepreneurship and provide food for thought in the field of family business. Some studies have found that entrepreneurial parents increase the likelihood of self-employment in the next generation.

Having strong ties has a positive impact on motivation to start a business. Cohesion within entrepreneurial families can lead to the development of behaviors and cognitive patterns that make them more likely to be entrepreneurs, but too much cohesion can hinder the ability to innovate. While some efforts have been made to consider the family variable in family business studies, the way families function and their impact on business remains largely unexplored. In this regard, the goal is to join this conversation by exploring one of the many variables that may explain how families function and how they impact family businesses, namely how parents exercise their role. Based on Baumrind's (1966) model, we develop a framework that takes into account how children are raised and socialized according to parenting style. This will determine how children behave toward the family business. Previous studies indicate that entrepreneurial parents transmit entrepreneurial values; however, high levels of wealth do not necessarily lead to a propensity to start businesses.

Identifying the Next Generation of Leaders and Managers:

There are characteristics that determine an individual's eligibility for senior management or leadership roles, in addition to specific job performance criteria. When selecting qualified individuals for leadership roles, seven important characteristics are examined: conscientiousness, credibility, training, ability, commitment, communication, and competence.

Most families, when selecting a leader, prioritize conscientiousness, which lends them credibility and ethics, enabling them to be trusted. The other six characteristics represent other measures of personal effectiveness. Three of these—commitment, competence, and credibility—are expressed in relation to the organization's own results.

The remaining three—training, ability, and communication—are characteristics that appear in the workplace. Outside of this, family members, candidates, and the older generation can consider these features when discussing personal development and mentoring programs and decisions related to the new generation of leaders .

It is unlikely that a single candidate will possess all of these qualities, so the family and management must prioritize based on the family's core values and the organization's status.

A family that prioritizes trust may choose a less qualified but reliable candidate. Defining the family's selection criteria and making it part of the family agreements will ensure that the management team and candidates accept and support the outcome of the selection process.

Large families that differentiate roles within the family and the organization typically select two or more family members for leadership positions. For example, an individual with demonstrated business skills (competence) and a track record of performance (credibility) may serve as CEO, while another family member with a high ethical reputation may chair the board of directors, and a third member with strong relationship-building skills may chair the family council.

Some families prefer to rotate family control and leadership roles to allow leaders to focus their efforts and expertise and create opportunities for participation.

Public financial governance as a mechanism to promote and support inclusive growth in Arab countries

Table 5: Definition of Candidate Qualities

Conscientiousness • Ethical behavior when dealing with family and the organization
Reliability • Respect for the organization and family based on achievements and work performance
Training: Ability to teach and develop the skills of others
Abilities • Intellectual and emotional talents that enable growth and advancement to a managerial and leadership position
Commitment: A personal decision to support the interests of the family and the organization
Competence: technical capabilities and skills required to manage the organization
Communication: ability to form relationships based on shared information

Conclusion

The purpose of this paper was to identify the most important strengths and weaknesses facing family businesses in particular and their impact on the institutional environment, both positively and negatively. Corporate governance is the manner in which institutions are managed and monitored by all stakeholders. It is therefore considered a tool that ensures the efficiency of corporate management in utilizing its resources and assessing risks. This is considered an indicator of the institution's achievement of its objectives, primarily those of its stakeholders.

Our focus is on the need to consolidate the basic pillars of corporate governance in the Algerian context, in addition to activating the role of corporate governance stakeholders, primarily represented by external audit, the board of directors, the audit committee, the internal audit function, and senior management. Therefore, we present the following proposals as a result of this theoretical study, which will contribute to establishing the principles of Algerian corporate governance and activating at least some of its stakeholders through:

Providing an institutional and legal framework as an appropriate environment for this desired reality.

Working to keep pace with developments in the business environment within the higher education curricula of Algerian universities and recognizing recent developments in the business environment, primarily in corporate governance and the developments occurring within its stakeholders, thus enhancing its development.

The need to establish professional organizations that regulate the mechanisms for practicing the auditing profession in Algeria, issuing internal and external auditing standards consistent with international standards, and developing a code of professional ethics that takes into account the Algerian business environment.

Bibliography

1. حادة سامي صالح، دليل تطبيق قواعد الحكم الصالح في الشركات العائلية، بالمعهد الدولي، بيروت، لبنان، 2010.
2. حوتية عمر، دور الحوكمة في تعزيز تنافسية القطاع الصناعي العمومي في الجزائر (2025)، مجلة التكامل الاقتصادي (جامعة أدرار)، المجلد 13، العدد 3، الصفحة 695.
3. خالد محمد كانو، كيف نتعرف على نقاط القوة والضعف في الشركات العائلية، جريدة اخبار الخليج، افريل 2016.
4. عمرو علاء الدين زيدان، اجتماعات ومجالس الاعمال في الشركات العائلية، المنظمة العربية للتنمية الإدارية، 2004.
5. عمرو علاء الدين زيدان، ادارة الشركات العائلية، المنظمة العربية للتنمية الادارية، مصر، 2009.
6. غضبان حسام الدين، دور حوكمة الشركات في خلق القيمة للمؤسسة الاقتصادية، مذكرة مقدمة لنيل شهادة الماستر في علوم التسيير، تخصص تسيير استراتيجي للمنظمات، جامعة محمد خيضر بسكرة، الجزائر، السنة الجامعية، 2010-2011.
7. Corbetta, G., and Salvato, C. (2004). Family Business Review. The Board of Directors in Family Firms: One Size fits all?, 17(2).
8. James, A.E, Jennings, J.E, and Breitkruz, R (2012). Worlds apart? Rebridging the distance between family science and family business research. Family Business Review, 25(1).
9. Kim, P.H., H.E. Aldrich, and L.A. Keister (2003). 'Does wealth matter? The impact of financial and human capital on becoming a nascent entrepreneur.' Paper resented at the Academy of Management annual meeting, Seattle, WA.
10. Mustakallio, M., Autio, E., & Zahra, S. A. (2002). Relational and contractual governance in family firms: Effects on strategic decision making. *Family Business Review*, 15(3), September.
11. Neubauer, F., & Lank, A. G. (1998). *The family business: Its governance for sustainability*. Routledge, New York (USA).
12. Sharma, P., Melin, L., & Nordqvist, M. (2014). *Future of family business studies* (pp. 1–22). In L. Melin, M. Nordqvist, & P. Sharma (Eds.), *The SAGE handbook of family business*. Sage Publications.
13. Ziane, M. M. (2025). Transforming university governance in the digital era: Evidence from Tissemsilt University. *Economic Integration Journal*, 13(3), 279-296.