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Family Firms Navigating Institutional Voids: Resource Access and Barriers in the Arab World

Abstract

Purpose: This study investigates how family ownership and family managerial involvement influence firms' access to important resources and their ability to navigate institutional barriers in the Arab world.

Study design/methodology/approach: Drawing on institutional theory and the concept of institutional voids, the study employs data from the World Bank Enterprise Surveys for six Arab countries. Regression analysis is used to examine the relationships between family involvement and institutional challenges.

Sample and data: The study employs a sample of 1,312 family firms from Egypt, Jordan, Lebanon, Morocco, Tunisia, and the West Bank and Gaza. Data was collected between 2013 and 2020. Firms were selected based on complete data for family involvement and operational continuity.

Results: The study found that family ownership and managerial involvement facilitate access to land but not finance. Family managerial involvement is associated with lower perceived crime barriers, while both family ownership and management are linked to higher perceived corruption obstacles. Regulatory barriers have no significant relationship to family involvement.

Originality/value: The study extends institutional theory to the Arab family business context, highlighting the important yet nuanced role of family involvement in navigating institutional voids.

Research limitations/implications: The study relies on perceptual measures and cross-sectional data, limiting causal inferences and inter-temporal generalizability. Future research could use longitudinal designs and more detailed primary data to explore mediators like firm size or industry. The findings offer practical insights for family businesses and policymakers in addressing institutional challenges.

Keywords: Arab World, Family Firms, Institutional Voids, Resource Access, Institutional Barriers.

JEL classification: L26, G32, O17, P48

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الملخص

الشركات العائلية تتخطى الفراغات المؤسسية: الوصول للموارد والعوائق في العالم العربي

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هدف الدراسة: تبحث الدراسة في كيفية تأثير ملكية الشركات العائلية والمشاركة الإدارية العائلية في قدرة الشركات على الوصول إلى الموارد المهمة، وتخطي العوائق المؤسسية في العالم العربي. تصميم/ منهجية/ طريقة الدراسة: اعتمدت الدراسة على النظرية المؤسسية ومفهوم الفراغات المؤسسية، وتوسلت الدراسة بتحليل الانحدار؛ لفحص العلاقات بين المشاركة العائلية والتحديات المؤسسية، وذلك بناءً على بيانات البنك الدولي لمؤسسات في ست دول عربية. عينة الدراسة وبياناتها: شملت الدراسة عينة من 1,312 شركة عائلية من مصر، والأردن، ولبنان والمغرب، وتونس، والضفة الغربية وقطاع غزة، وجمعت البيانات بين عامي 2013 و2020، مع اختيار الشركات بناءً على اكتمال بيانات المشاركة العائلية واستمرارية العمليات. نتائج الدراسة: توصلت الدراسة إلى أن الملكية العائلية والمشاركة الإدارية تُسهّل الوصول إلى الأراضي، لكن ليس إلى التمويل، كما ارتبطت الإدارة العائلية بانخفاض التحديات المتعلقة بالجريمة، في المقابل ارتبطت كل من الملكية والإدارة العائلية بزيادة التحديات المتعلقة بالفساد، ولم يكن هناك علاقة كبيرة بين المشاركة العائلية والعوائق التنظيمية. أصالة الدراسة: تمتد الدراسة بالنظرية المؤسسية إلى سياق الشركات العائلية العربية، مسلطة الضوء على الدور المهم والمتشعب للمشاركة العائلية في تخطي الفراغات المؤسسية. حدود الدراسة وتطبيقاتها: اعتمدت الدراسة على مقاييس إدراكية وبيانات مقطعية، مما حدّ من الاستدلالات السببية والقدرة على التعميم عبر الزمن، ويمكن للأبحاث المستقبلية استعمال تصميمات طولية وبيانات أولية أكثر تفصيلاً لاستكشاف عوامل وسيطة مثل حجم الشركة أو القطاع، وتقديم نتائج الدراسة رؤى عملية للشركات العائلية وصنّاع السياسات لمعالجة التحديات المؤسسية. الكلمات المفتاحية: العالم العربي، الشركات العائلية، الفراغات المؤسسية، الوصول إلى الموارد، العوائق المؤسسية.

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Introduction

While family businesses represent the primary form of enterprise globally, their role and characteristics in emerging economies, including much of the Arab world, remains under-researched. In these contexts, where formal institutions are often still under development, family firms must navigate institutional voids through the leverage of their unique social and cultural resources. This study investigates how family ownership and managerial involvement influence firms' ability to access critical resources and navigate institutional barriers in the Arab world context.

The business landscape in the Arab world has distinctive characteristics that have been shaped by longstanding cultural and historical artefacts. For example, Arab societies tend to prioritize collectivism, familialism, and relationships in business, influenced by tribal traditions and Islamic values (Rice et al., 2024). This contrasts with the more individualistic, and rule-based context of Western societies. Besides the importance of networks, government dominance in economic activity within the Arab region, especially in resource-rich countries, makes government contracts and resources important for business success. Consequently, firms must develop relationships with government to secure access to important resources, often through the use of informal networks and personal connections.

This study employs institutional theory to examine how family businesses navigate these complex environmental conditions. The paper frames the context of Arab family businesses using the notion of institutional voids. These voids are situations where institutional arrangements supporting economic and social systems are absent, weak, or ineffective (Doh et al., 2017). Such voids tend to increase uncertainty and transaction costs, on the one hand, while presenting opportunities for entrepreneurial firms to develop innovative solutions and create value, on the other. Family businesses, harnessing their embedded social networks and multi-generational perspectives, are arguably well-positioned to navigate these institutional challenges. Furthermore, we explore the idea that extended family networks may play an important role in Arab family businesses through the provision, for example, of patient capital, informal advice, and other forms of tangible and intangible support.

This paper adopts an institutional theory lens to examine family business in the Arab world context. In so doing, it addresses gaps in the literature regarding

how family firms navigate institutional voids in emerging economies generally, and the Arab world particularly. We seek to examine unique characteristics of the Arab business environment and how these interact with family involvement and ownership within an institutional void framework. Our intention is to extend institutional theory to Arab family business contexts, to build an empirical evidence base in relation to family involvement and ownership and to offer practical implications for family business management in emerging economies.

Family businesses refer to businesses where family involvement, generally over more than one generation, in ownership and management, is present (Chrisman et al., 2012). The term business family suggests a group with familial ties whose primary identity and activities revolve around their family business operations (Wielsma & Brunninge, 2019).

An extended family, for the purposes of this paper, suggests a group of people with familial ties extending beyond parental and sibling relationships. This may include cousins, uncles and aunts, and the like (Edirisingha et al., 2022). Family Ties and Social Connections are seen to represent dense social networks, generally characterized by a high degree of mutual interdependence among actors. These connections may then in turn create useful social capital within family businesses (Shi et al., 2015).

The Arab world can be characterized as both a region where institutional voids are evident and one where family businesses play a significant economic role. However, there is a paucity of evidence regarding how family ownership and family managerial involvement impact firms' ability to mitigate institutional challenges while accessing critical resources. This study aims to redress this gap by focusing on the following hypotheses. The findings will contribute to institutional theory within the Arab context while providing practical insights for family businesses and policymakers in the region.

This paper proceeds as follows: First, we review the extant literature on institutional theory, family business, and the Arab business context. We then develop and present hypotheses regarding the relationship between family involvement and various institutional voids faced by the firms. Afterwards, we describe and present our methodology and data, the analysis of this data and the findings of our study. Finally, we acknowledge the limitations of the research and suggest directions for future research.

Literature Review and Theoretical Framework

The business landscape in the Arab world differs significantly from that of Western countries. The Arab region, with deep cultural and historical roots, has developed social and business norms that prioritize collectivism, familialism and conflict avoidance where possible (Obeidat et al., 2012). Arab societies have been described as collective, relationship-oriented, and influenced by tribal traditions and Islamic values (Berger et al., 2015; Rice et al., 2024). This contrasts to Western business approaches which tend to be more individualistic, rule-based, and transactional. Chakrabarty (2009) noted that cultural dimensions, such as collectivism, encourage family members to retain control within family networks. In addition, he noted that in the context of weak institutions, like underdeveloped legal and financial systems, family ownership of large firms is more prevalent.

Sources of business culture idiosyncrasy in the Arab world are manifold. For example, Arab business transactions are often characterized as based on a "bazaar economy" model (Geertz, 1978; Kabasakal & Bodur, 2002). The bazaar is an analogy drawn from the souqs or markets prevalent in Arab nations. These markets are operated in a fluid, person-to-person way, with interpersonal negotiations and information asymmetries common and expected. Bargaining is a central feature in all aspects of business life, with prices and other terms of exchange decided through complex social interaction (Ali, 1995; Geertz, 1978). This bazaar approach permeates many business dealings in the region and emphasizes flexibility in negotiation and the cultivation of long-term personal relationships (Hutchings & Weir, 2006a).

The role of the state, and relations between firms and government actors, also shapes business practice and the centrality of *Wasta* (favoritism). In many Arab economies, and especially in those with significant extractive industries, the state dominates economic activity and is a key source of contracts and resources. Firms are required to cultivate ties with government officials to secure access to these resources. In a practical sense, it entails the use of personal relationships and networks to gain advantages, often or generally unfairly, to resolve disputes, or avoid bureaucratic processes. In this sense, *Wasta* provides access to opportunities, resources, and decision-makers that would otherwise be unavailable.

Arab nations and societies, like many transitional regions and economies, often lack strong regulatory institutions. As such the complex interplay of negotia-

tion between formal and informal regulation is important. Even in the context of official laws and regulations governing business activities, informal norms and expectations are also important. In such a situation, social obligation may take precedence over formal contracts (Hooker, 2008).

The Arab world exhibits unique characteristics that provide the opportunity for both theoretical and empirical extensions of current literature. The region has distinctive cultural values, organizational development patterns and relational norms that differ significantly from Western contexts (Elbanna et al., 2020). For example, the importance of informal versus formal institutions in the Arab world has been underplayed in extant research and reputation-based, and influence mechanisms may interact with emerging Arab business practices and social structures to drive business outcomes.

Institutional theory (Sidani & Thornberry, 2013) provides a lens to understand how Arab business culture and practice has grown distinct aspects in comparison to the business culture of Western countries. This theory emphasizes institutions – broadly defined as formal and informal rules, norms, and cognitive structures that shape behaviors of managers and firms.

The seminal work "The New Institutionalism in Organizational Analysis" by Powell and DiMaggio (1991), emphasizes the ways in which business and managerial structures and practices become institutionalized over time, driven by a combination of cognitive, normative, and regulative processes (Powell & DiMaggio, 1991). In contrast to the rational or efficiency-driven neo-classical assumptions, in new institutionalism, organizations are seen primarily as responsive to their embedded status in social and cultural contexts (Greenwood et al., 2008). Key sub-concepts include isomorphism (the tendency for organizations to converge practices over time), the presence of institutional logics (overarching belief systems that drive cognition and decision making), and institutional work (the deliberate and purposive actions taken by various actors to create, maintain, or disrupt institutions) (Battilana et al., 2009; Lawrence & Suddaby, 2006).

New institutionalism has been applied to entrepreneurial activity (Battilana et al., 2009; Bruton et al., 2010), emerging economies and institutional voids (Mair et al., 2012) and social position leveraging to legitimize and empower business ventures within transitional economic contexts (De Clercq & Voronov, 2009). Research has suggested that SMEs can strategically resist constraining institutional

demands through processes of bricolage, identity work, and selective decoupling (De Clercq & Voronov, 2011; Reay et al., 2006).

In the family business field, new institutionalism has been a lens to better explore how family firms are shaped by and seek to influence broader institutional contexts (Melin & Nordqvist, 2007). Both nascent and established family firms have been shown to generate legitimacy and acquire resources through their alignment to family-related institutional norms and values (Lumpkin et al., 2008). In a proactive manner, family businesses have also been shown to engage in institutional work to preserve family control and transgenerational wealth (Parada et al., 2010).

Litz (1995) noted the importance, when discussing family business, to differentiate between a structure-based approach that seeks to examine family involvement in ownership and management of the firm with an intention-based approach that focuses instead on the value preferences of the organization's leadership in relation to family-facing issues.

While much of this research has been undertaken in Europe and the United States, as is the case with much other business research, little has been done in the Arab context. Arguably, the institutional context in Arab countries differs significantly from elsewhere – both in the strength of some institutional norms (*vis-à-vis* western societies), on one hand, and the presence of serious institutional voids, on the other.

The Relational Nature of the Arab Business Context

Family ties and social connections form a framework for many business interactions (Sidani & Thornberry, 2013). These may span families through intermarriage, embedding collectivism and mutual obligation over generations (Barakat, 1993). Historically, families and collectively, clans were the fundamental unit of Arab societies. These often nomadic or semi-nomadic groupings have emerged into modern networks for business, often spanning modern international borders (Cunningham & Sarayrah, 1993). Within these kin networks trust and loyalty are the product of repeated interactions and reciprocal obligations. They serve as the basis of sharing information, resources, and support (Berger et al., 2015; Ratten, 2025).

The involvement of extended family can influence the family firm's goals and values. Even from outside the business, they contribute to shaping the family's shared identity and norms (Zellweger et al., 2010). Chua et al. (1999) developed a

theoretical definition of family business based on behavior, where they broadened the focus from operational involvement to wider issues of ownership, strategic participation and connectedness. Their definition has emerged as influential in the family business field. This direct and indirect involvement of family members can affect the firm's objectives, for example by prioritizing family harmony over financial gains. It may also complicate succession planning if there are expectations to include extended family members in ownership or operational roles.

The personal and business interrelationships within modern clan groupings also provide patient capital for new ventures, sources of funds that are particularly crucial for young and/or small and medium enterprises in the context of immature banking systems in some countries (Fahed-Sreih & Pistrui, 2012). These Arab family groups, with their emphasis on family cohesion and control, cordial social relationships, and conflict avoidance, often prioritize long-term stability and preservation of family assets over short-term profits, mirroring intergenerational family businesses elsewhere (Zedan, 2012; Zellweger et al., 2012).

Relationships extend beyond exchange to the facilitation of the exchange of resources. Developing trusting connections is of fundamental importance in Arab business contexts. This development requires time, as well as demonstrations of integrity over extended interactions (Mayer et al., 1995). The clan expectations of mutual obligation and reciprocity further reinforce the need to develop deep interpersonal ties (Sidani & Thornberry, 2010).

Islamic values also shape business relationships in the Arab world. The Islamic work ethics stress the importance of ethical work and commercial activity as a form of Islamic activity (Ali & Al-Owaihan, 2008). Concepts like 'Itqan', conscientiousness in work, and 'Amanah', fulfilling one's obligations, influence expectations for business dealings, especially between fellow Muslims (Kumar & Che Rose, 2010). However, and importantly, these religious principles are not universally followed, and some suggest self-interest and instrumentalism are taking a greater role in many Arab contexts (Sidani & Thornberry, 2010).

Despite significant intraregional differences, some common themes are evident. The relationship-focused nature of business dealings, combined with familial, clan, and patron-client relationships, markedly differ from the individualistic principles espoused in Anglo-Saxon approaches to business and commerce.

A related theme that influences interpersonal relations and also relations with authority is "Wasta". Wasta, roughly translates to "connections" or "influence" and is an important element of Arab business (Hutchings & Weir, 2006b). Wasta stems from the clan or tribal historical structure of Arab societies, serving as an informal governance system to mitigate weak formal institutions and legal frameworks. While initially rooted in family and kinship ties, Wasta networks have expanded to include broader social connections, similar to *guanxi* in China. Wasta is used to gain privileges and resources through the intercession of a patron or intermediary. The prevalence of Wasta is linked to the historical development of Arab states, which often have heterogeneous populations with stronger loyalties to tribes than to the state (which often took the form of a foreign-imposed colonial power).

Institutional Voids

Institutional voids, defined as "*situations where institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them*" (Mair et al., 2012, p. 419), are a key challenge faced by businesses operating in transitional and emerging economies, particularly in the Arab world undergoing economic and political transitions. These voids create uncertainty and additional costs for businesses. When formal institutions like regulatory systems, legal processes for contract enforcement mechanisms, and market intermediaries are underdeveloped, ambiguity around the "rules of the game" for companies is created (Khanna & Palepu, 2010). Where legal systems and property right protections are limited, reliance on informal mechanisms like Wasta allows firms to reduce transaction costs and ensure agreed outcomes in business transactions.

Murithi et al. (2020) investigate the importance of institutional voids in Sub-Saharan Africa. They explore how these voids tend to influence the strategies of business families operating as they adapt to challenges associated with regulatory inefficiencies, limited access to financing, and informal market structures. Leveraging strong kinship networks and associated social capital are a contingent way of accessing resources, building trust, and ensuring business continuity.

Institutional voids in Arab economies also impact the competitive dynamics between firms. While all firms are affected, research suggests that young, small and medium enterprises (SMEs) are more constrained by weak formal institutions than their larger peers (Pissarides et al., 2003). Samara (2021) noted that family businesses in the Arab Middle East are highly impacted by their complex sociopolitical

contexts, including shared family values, the centrality of religious influences, and an evolving yet uncertain institutional landscape. Firms with political connections are often better positioned to fill institutional voids through their existing informal networks and relationships (Yildirim et al., 2021). Regardless of firm size, such connections are more likely to exist within firms with strong family involvement and leadership, as this tends to generate more points of intersection between the firm and external agents able to assist with implementation (Zedan, 2015).

Bothello et al. (2019) note that institutional voids are often viewed from a western perspective whereby they relate to institutional failure. However, from an emerging society perspective, voids can be framed as sites of, and opportunities for, potential innovation and institutional rupture. They suggest that the dominant Western-centric frameworks fail to capture the complexities and dynamics of emerging market institutions whereby voids drive actors to successfully and proactively adapt to complex, uncertain environments.

These voids can also be a source of opportunity as they represent underserved markets and inefficiencies that entrepreneurial firms can capitalize on (Tracey & Phillips, 2011). In the Arab world, this is evident in the rise of tech startups that bypass traditional entry barriers. These firms are leveraging technology to fill gaps in areas like financial services, education, and healthcare (Wamda, 2021).

Family Networks

Family firms, prevalent in the Arab world, possess distinct advantages that enable them to navigate institutional voids more effectively than non-family firms. These advantages stem from their unique business structure and the close integration of family and business. Extended family members often play significant roles in family businesses that go beyond formal employment or ownership. They can often navigate institutional voids effectively due to their strong social capital and embeddedness in local communities (Shi et al., 2015). Berrone et al. (2022) noted that family firms use informal institutions—including social norms, trust, and cultural expectations—in assuring performance in the context of weak formal institutions. Their networking strategies can take various forms and have important implications for the firm's operations, networks, and performance.

McAdam et al. (2024) developed a model of family business, with a focus on their development, maintenance and transfer between generations. Essential elements include multi-generational involvement in the business and some form

of shared decision making within the family members involved. Sorenson and Bierman (2009) investigated shared social capital in family businesses, with a focus on faith beliefs and practices shared within a family business's membership. They note the importance of such shared social capital as a binding agent across the business. Deferne et al. (2023), in turn, found that trust was an important form of relational social capital, providing a common sense of purpose and mitigating internal transaction costs within the family business members. Chrisman et al. (2003) proposed a definition focusing on the "essence" of a family firm, including the intention to maintain family control, the notion of familiness as a set of unique resources and capabilities available to firms, a set vision for trans-generational pursuit and a shared commitment to that vision across family members.

Beyond the typical nuclear family unit, extended family frequently provides informal advice and support to the family business (Ratten, 2024). While they may not have an official advisory role, their opinions often carry weight in decision-making. They can serve as sounding boards for ideas and offer guidance based on their own experiences (Arregle et al., 2007). In addition, extended family can be a source of capital for new or growth ventures. The informal counsel from extended families can be especially valuable for younger generations taking over the business.

Family networks, based on close or remote kinship ties, provide some assurance of fair behavior or at least the trade of favors over time. Family firms often build strong social capital in the form of informal networks and community relationships. These network ties can facilitate access to scarce inputs, information, and business opportunities (Anderson et al., 2005). These informal networks are powerful tools for gathering information, securing resources, and navigating uncertain institutional environments.

Soleimanof et al. (2017) found that family firms are strongly affected by their formal and informal institutional context. These firms generate distinctive strategies and business adaptations according to the regulatory and legal frameworks and informal institutions that they observe. Family businesses are said to treat their employees with unusual consideration, forming a cohesive internal "community" that bridges to the wider business and social community. Their employees often have longer tenures, engendering higher trust, stability and continuity in relationships that can be invaluable in contexts where formal institutions are weak.

The above literature review highlights the potential role of institutional theory in enhancing our understanding of family business dynamics and environmental

engagement within the Arab world. We note that Arab family businesses face unique challenges and potential opportunities due to a combination of institutional weaknesses and informal societal norms that tend to shape business practices. When effective, family firms in the Arab region level familial social capital, related extended networks and embedded community ties. These mechanisms allow them to bypass the constraints imposed by institutional voids and ideally to re-frame these voids as opportunities for innovation.

Within the Arab context, institutional theory suggests that informal relationships and social obligations, within families and between families and external agents, often override formal regulations. However, we found limited research focused on the Arab context, and this provides an opportunity for this paper.

Hypotheses

Where formal institutions, markets for inputs and outputs, and economic intermediaries are weak or emerging, the degree of family involvement can assist firms in plugging institutional voids. Conversely, as institutions develop, the advantages of family firms may diminish relative to non-family firms. We suggest that in the context of emerging Arab economies, family ownership and management tends to facilitate access to important resource inputs (land and capital).

For example, extended family can be a source of patient capital and low-cost labor for the firm. They may offer loans with favorable terms or be willing to work for lower wages out of a sense of family obligation (Dyer, 2006). This can give family firms an advantage, especially in times of economic distress. As families are able to draw upon broad, multigenerational relationships to secure these inputs, we expect family businesses will have fewer challenges than non-family businesses with these issues.

Family businesses in the Arab world may leverage their deep-rooted family and social capital and their extended family local embeddedness to better access resources such as land. The extended family networks, a key element of Arab clan-based societies, can provide access to land through both formal and informal arrangements and through familial ties. These networks may facilitate the bypassing of bureaucratic hurdles and the negotiation of favorable terms (Rice et al., 2024).

In addition, family-owned firms are more likely to own, or have access to, land as part of their long-term asset base. These assets are often passed from one gener-

ation to another, further assisting land access. The relational core of Arab business culture, where trust and reciprocity are common, allows families to navigate the hurdles and complexities of land acquisition more effectively than other firms (Hutchings & Weir, 2006b). Thus, we propose that family ownership and family managerial involvement might positively influence access to land.

***H1a:** Easy access to land is positively related to family ownership and managerial involvement in the Arab region.*

Family businesses in the Arab region tend to benefit from informal financial networks including extended family members who provide patient capital or low-interest loans, or access to other types of informal financing. These networks may be valuable in contexts where formal financial institutions are either underdeveloped or inaccessible (Dyer, 2006). In addition, family firms may be able to leverage their reputation and long-standing social and business relationships with local lenders to secure financing on favorable terms.

In addition, the multi-generational nature of family business may mean they have accumulated equity that can be used to secure loans as collateral, further reducing any perceived risk for lenders (Zellweger et al., 2012). In addition, the reticence of family firms to relinquish or dilute ownership in businesses may reduce their willingness to access external financing, especially equity-based financing. As such, family involvement will tend to positively predict access to finance through traditional and untraditional arrangements.

***H1b:** Ready access to finance is positively related to family ownership and managerial involvement in the Arab region.*

Family businesses are, in most important ways, a part of the business fabric of the Arab world (Zedan, 2017). Like other businesses, they operate with a complex and emerging milieu where legal, governmental and commercial institutions are in a state of development. Family businesses in the Arab region demonstrate a certain type of resilience due to their ability to navigate complex and dynamic institutional environments. Their embedded family networks serve as a means of overcoming or indeed harnessing institutional voids that may otherwise challenge business success.

The intersection of family firms and institutional contexts illustrates how the creation of alternative pathways through or around institutional voids enables family firms to maintain stability and success despite regulatory challenges. We

suggest that Arab family businesses have developed unique adaptation strategies for navigating weak institutional environments, especially relating to regulatory voids. As such, while we expect that family businesses in the region will be as susceptible to the challenges of weak institutions as other firms, we can expect that family businesses' deep and extended networks may cushion them from challenges associated with weak legal and regulatory institutions.

H2a: *The potential for regulatory issues to impact firms is negatively related to family ownership and family managerial involvement in the Arab region.*

Family businesses often benefit from community ties and local embeddedness within societies, with these acting as a deterrent to the impacts of crime and disorder. The familial nature of these firms engenders a sense of protection and camaraderie among business owners, employees and the local community. This tends to reduce the likelihood of criminal activities targeting the business (Shi et al., 2015). In addition, family firms tend to be more likely to invest in mutually beneficial relationships with local stakeholders, including police and community leaders. These can further mitigate crime-related risks (Zellweger et al., 2010).

In addition, family businesses are less likely to involve themselves in risky or volatile activities that may attract criminal attention or retribution. As such, family involvement is expected to reduce barriers related to crime and disorder.

H2b: *The potential for crime to impact firms is negatively related to family ownership and family managerial involvement in the Arab region.*

While corruption is a pervasive concern in many Arab and developing countries, family businesses and networks may be better equipped to mitigate corrupt practices due to their extensive social networks and related social capital. The use of Wasta, for example, allows family firms to negotiate potentially corrupt systems more effectively. This may stem from their ability to leverage personal relationships to secure favorable outcomes (Hutchings & Weir, 2006b). In addition, the long-term orientation of family firms and their desire to preserve family reputation may encourage them to avoid corrupt practices (Sidani & Thornberry, 2013).

H2c: *The potential for corruption to impact firms is negatively related to family ownership and family managerial involvement in the Arab region.*

Research Methods

Data

The data for this study is sourced from the World Bank Enterprise Surveys (WBES). The WBES program collects comprehensive firm-level data from a variety of nations, providing valuable insights into the global business environment, with a special focus on barriers to improved business performance. The WBES Middle East and North Africa (MENA) dataset offers a rich resource for researchers and policymakers to analyze the business climate of the region. It assists in identifying challenges, and informing evidence-based decisions, to support private sector development in these developing economies. The surveys covered a wide range of topics relevant to this paper, including business ownership, family ownership and involvement, employment statistics, and location. The sample encompassed diverse industry sectors, such as manufacturing (e.g., food production, clothing) and services (e.g., retail). Company sizes ranged from small businesses (5-19 employees) to medium-sized enterprises (20-99 employees) and large corporations (> 99 employees).

The WBES dataset was chosen for this study as it provided comprehensive, firm-level data on family involvement and institutional barriers in the Arab region. This aligned closely with the study's conceptual framework while providing a representative sample of firms across multiple Arab countries and industries.

The WBES MENA project gathered data from six developing countries between 2013 and 2020: Tunisia, Morocco, Egypt, Lebanon, Jordan, and the West Bank and Gaza. The WBES employed a stratified, random sampling methodology to ensure that a representative cross-section of companies was represented. The stratification process considered key factors such as industry type, geographical location, and company size. The entire survey sample consisted of 13,562 observations. For the purposes of this paper only, those respondent firms with complete data for family involvement (with non-zero reporting of family involvement) were included. In addition, we included only those firms with data for prior sales data for t-3 and t-1 years to ensure ongoing operations. We also included only firms with business operations prior to 2006 (as the data were gathered between 2013 and 2020, this ensured that businesses were at least seven years old). After this data cleaning, the final sample included 1,312 firms after eliminating data gaps for these key variables.

Table 1
The Nationality and Percentage of Respondent Family Firms

Country	Valid Cases	Percentage
Egypt	463	35.3
Jordan	56	4.3
Lebanon	270	20.6
Morocco	208	15.9
Tunisia	195	14.9
West Bank and Gaza	120	9.1
Total	1312	100.0

Source: WBES, 2013-2020

Egypt represented the largest share of the sample 35.3%, followed by Lebanon 20.6%, Morocco 15.9%, Tunisia 14.9%, the West Bank and Gaza 9.1% and Jordan 4.3%. In terms of size, employee numbers varied from 1 to 1540, with a mean of 94.5 employees. The firms were established between 1857 and 2016, with a mean year of establishment of 1988.

Analysis

Multiple regression was chosen as the main analytical approach. It aligns with study's objectives, manages the continuous nature of the variables effectively and facilitates hypothesis testing. The inclusion of control variables and diagnostic checks strengthens the validity of the findings. Taken together, this makes multiple regression analysis an appropriate and robust choice for this study.

Variables

The dependent variables used in the study are family ownership percentage (operationalized as the percentage of the firm owned by the same family) and family management percentage (operationalized as the percentage of family members in key management positions). Noting that firms with zero family participation were excluded, family ownership varied from 1 to 100%, with a mean of 89.7% while family management varied from 1 to 100%, with a mean of 70.8%.

To measure challenges within the institutional context, we relied on a set of questions asked of respondents regarding business obstacles in their context. Re-

spondents were asked, *inter alia*, the repeated question: How much of an obstacle is (a) access to finance, (b) access to land, (c) access to business licensing and permits, (d) corruption and (e) crime, theft and disorder. Responses were keyed 0 – no obstacle to 4 – very severe obstacle.

In our regression, we controlled for firm age (year of establishment) and size (number of workers).

We chose to use the perceptual measures captured in the dataset for our independent variables. We did this as we note that institutional voids vary between firms depending on their various unique characteristics. We chose not to use multi-level modelling as we felt that there may be significant intra-country variation – perhaps based on urban vs rural, or by industry. As such, we felt that individual responses in relation to institutional voids were appropriate.

Research Results

We first present the bivariate correlations among the variables employed.

Table 2
Bivariate Correlations

	Mean	SD	1	2	3	4	5	6	7	8
1. Finance	1.61	1.307	-							
2. Land	0.80	1.13	0.408							
3. Lic. & Perm.	1.16	1.21	0.367	0.482						
4. Corruption	2.00	1.56	0.355	0.231	0.297					
5. Crime	1.02	1.21	0.436	0.567	0.514	0.270				
6. Family Ownership	89.71	20.90	0.075	-0.062*	0.001	0.095	-0.003 ^{ns}			
7. Family Management	70.79	36.65	-0.136	-0.279*	-0.179	-0.010 ^{ns}	-0.240	0.296		
8. Year Established	1988	15.98	0.081	0.075*	0.031	0.013 ^{ns}	0.093	0.026 ^{ns}	0.011 ^{ns}	
9. Number of Workers	94.49	224.00	0.049 ^{ns}	0.014 ^{ns}	0.052	-0.053 ^{ns}	-0.001 ^{ns}	-0.050 ^{ns}	-0.062 ^{ns}	-0.002 ^{ns}

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Several significant correlations emerge from the data. Finance is positively correlated with Land ($r = 0.41$, $p < 0.01$), Licenses and Permits ($r = 0.37$, $p < 0.01$), Corruption ($r = 0.36$, $p < 0.01$), Crime ($r = 0.44$, $p < 0.01$), Family Ownership ($r = 0.08$, $p < 0.01$), and Year Established ($r = 0.08$, $p < 0.01$). These findings sug-

gest that firms facing more financial constraints also tend to encounter challenges related to land access, licensing and permits, corruption, and crime. Interestingly, family-owned firms seem to report slightly higher constraints regarding access to finance, as do younger firms.

Land constraints are positively associated with Licenses and Permits constraints ($r = 0.48, p < 0.01$) and Crime constraints ($r = 0.57, p < 0.01$) but negatively related to Family Ownership ($r = -0.06, p < 0.05$) and Family Management ($r = -0.28, p < 0.05$). This implies that land access problems often coincide with licensing and permit challenges and crime. However, family-owned and family-managed firms report fewer land-related constraints. Possible explanations for this relate to the access family businesses have to family property assets.

Licenses and Permits constraints positively correlate with Crime constraints ($r = 0.51, p < 0.01$), indicating that firms struggling with licensing and permits also tend to face higher crime levels. Corruption is positively related to Family Ownership ($r = 0.10, p < 0.01$), suggesting that family-owned businesses might be more susceptible to, or at least aware of, constraints related to corruption.

Family Ownership is positively correlated with Family Management ($r = 0.30, p < 0.01$), which is unsurprising given that family-owned firms are more likely to have family members in management positions. However, Family Management is negatively associated with Finance constraints ($r = -0.14, p < 0.01$), Land constraints ($r = -0.28, p < 0.05$), and Crime constraints ($r = -0.24, p < 0.01$), implying that family-managed firms report fewer constraints in these areas.

The number of workers does not significantly correlate with any other variables, suggesting that firm size may not be a strong predictor of the various constraints and characteristics examined.

Two regression analyses were conducted; one to predict family management involvement and a second to predict family ownership.

Table 3
Model 1 – Family Management Involvement

Model	Unstandardized	Standard Error	Standardized	<i>t</i>	<i>p</i>
(Intercept)	-129.395	153.302		-0.844	0.399
Finance	-2.132	1.313	-0.072	-1.624	0.105
Land	-3.887	1.633	-0.113	-2.381	0.018
Lic. & Perm.	-1.883	1.434	-0.060	-1.312	0.190
Corruption	3.531	1.007	0.146	3.505	< 0.001
Crime	-4.489	1.696	-0.132	-2.647	0.008
Workers	-0.007	0.006	-0.044	-1.177	0.239
Yr Est.	0.103	0.077	0.050	1.331	0.184

$F(7,666) = 8.398, p < 0.001, R^2$ of 0.081

A multiple regression was conducted to predict Family Management Involvement based on several predictor variables, including obstacles associated with Finance, Land, Licenses and Permits (Lic. & Perm.), Corruption, Crime, Number of Workers (Workers), and Year Established (Yr Est.). The overall model was significant, $F(7, 666) = 8.398, p < 0.001$, with an R^2 of 0.081, indicating that approximately 8.1% of the variance in Family Management Involvement can be explained by the predictor variables.

Among the predictors, Land ($\beta = -0.113, p = 0.018$), Corruption ($\beta = 0.146, p < 0.001$), and Crime ($\beta = -0.132, p = 0.008$) were significant. The negative coefficients for Land and Crime suggest that these factors are more challenging for firms with lower family management participation. Conversely, the positive coefficient for Corruption indicates that higher levels of corruption are perceived as barriers by firms with increased Family Management.

Finance ($\beta = -0.072, p = 0.105$), Licenses and Permits ($\beta = -0.060, p = 0.190$), Number of Workers ($\beta = -0.044, p = 0.239$), and Year Established ($\beta = 0.050, p = 0.184$) were not significant predictors of Family Management participation.

The second table, presented below, shows the regression results for family ownership.

Table 4
Model 2 – Family Ownership

Model	Unstandardized	Standard Error	Standardized	<i>t</i>	<i>p</i>
(Intercept)	-21.647	93.219		-0.232	0.816
Finance	2.377	0.798	0.135	2.978	0.003
Land	-3.171	0.993	-0.155	-3.194	0.001
Lic. & Perm.	-0.145	0.872	-0.008	-0.166	0.868
Corruption	1.333	0.613	0.093	2.176	0.030
Crime	0.102	1.031	0.005	0.099	0.921
Workers	-0.005	0.004	-0.048	-1.263	0.207
Yr Est.	0.054	0.047	0.043	1.143	0.253

$F(7, 666) = 4.187, p < 0.001, R^2$ of 0.042

A separate multiple regression was performed to predict Family Ownership using the same set of predictor variables. The overall model was significant, $F(7, 666) = 4.187, p < 0.001$, with an R^2 of 0.042, suggesting that 4.2% of the variance in Family Ownership can be accounted for by the predictors.

Finance ($\beta = 0.135, p = 0.003$), Land ($\beta = -0.155, p = 0.001$), and Corruption ($\beta = 0.093, p = 0.030$) emerged as significant predictors. The positive coefficient for Finance indicates that higher financial constraints are perceived by firms with increased family ownership. In contrast, the negative coefficient for Land suggests that land-related issues are lower for firms with higher Family Ownership. The positive coefficient for Corruption implies that higher corruption levels are linked to an increase in Family Ownership.

Licenses and Permits ($\beta = -0.008, p = 0.868$), Crime ($\beta = 0.005, p = 0.921$), Number of Workers ($\beta = -0.048, p = 0.207$), and Year Established ($\beta = 0.043, p = 0.253$) did not significantly predict Family Ownership. We note that all variables in the two regressions reported VIF values less than the commonly accepted threshold of 10.

The results provide partial support for the hypotheses regarding the relationship between family ownership and managerial involvement and access to resources and institutional barriers in the Arab world context.

Hypothesis 1a predicted that family ownership and managerial involvement would facilitate access to land. The regression analysis revealed a significant negative relationship between land-related obstacles and both family management ($\beta = -0.113, p = 0.018$) and family ownership ($\beta = -0.155, p = 0.001$).^[1] These findings suggest that as family involvement in management and ownership increases, perceived barriers to land access decrease, supporting Hypothesis 1a.

However, Hypothesis 1b, which posited that family ownership and managerial involvement would facilitate access to finance, was not supported. The results showed a significant positive relationship between financial constraints and family ownership ($\beta = 0.135, p = 0.003$), indicating that firms with higher family ownership perceive greater financial barriers. Family management involvement was not significantly related to financial constraints.

Regarding Hypothesis 2, the results were mixed. Hypothesis 2a, which predicted that family ownership and managerial involvement would be associated with lower regulatory barriers, was not supported. The regression analysis found no significant relationship between family involvement and obstacles related to licenses and permits.

Hypothesis 2b, which proposed that family ownership and managerial involvement would be associated with lower corruption barriers, was also not supported. Against our prior expectations, the results showed a significant positive relationship between corruption and both family management ($\beta = 0.146, p < 0.001$) and family ownership ($\beta = 0.093, p = 0.030$), suggesting that firms with higher family involvement perceive greater corruption-related obstacles.

Finally, Hypothesis 2c, which predicted that family ownership and managerial involvement would be associated with lower crime and disorder barriers, was partially supported. The analysis revealed a significant negative relationship between crime-related obstacles and family management ($\beta = -0.132, p = 0.008$), indicating that firms with higher family management involvement perceive fewer challenges related to crime and disorder. However, no significant relationship was found between family ownership and crime-related barriers.

These findings highlight the complex and varied effects of family involvement on resource access and institutional barriers in the Arab world. While family involvement appears to facilitate land access and, to some extent, mitigate crime and disorder challenges, it does not seem to alleviate financial constraints, regulatory

barriers, or corruption-related obstacles. In fact, the positive relationship between family involvement and perceived corruption warrants further investigation.

Discussion and Conclusions

This study contributes to our understanding of how family ownership and managerial involvement are related to access to input resources and the impact of institutional voids and barriers in the context of the Arab world business environment. Drawing on institutional theory and the concept of institutional voids, we hypothesized that family involvement in firm ownership and management would facilitate access to land and finance while reducing the barriers related to regulatory approvals, corruption, crime, and disorder.

To restate the research questions and key findings, the study aimed to assess how family ownership and managerial involvement influence firms' ability to access critical resources and to navigate institutional voids in the Arab world. More specifically, the research addressed how family ownership and managerial involvement affect access to land and finance in the Arab world and how family involvement influences the perception of institutional barriers such as regulatory hurdles, corruption, and crime?

To address these questions, we utilized data from the World Bank Enterprise Surveys (WBES) for six Middle Eastern and North African (MENA) countries. We used multiple regression analysis to examine the relationships between family involvement and various institutional issues.

In summary the key findings were that family firms effectively leverage their social capital and local embeddedness to secure land more effectively than non-family firms, that family management involvement predicted greater financial barriers, which indicate that family firms may face unique challenges in accessing formal financial resources, that family involvement did not significantly reduce important regulatory barriers like licensing and permits, and that both family ownership and management were linked to higher perceived corruption barriers, suggesting that family firms may be more aware of or susceptible to corruption, possibly due to their reliance on informal networks like *Wasta*. Finally, family management involvement predicted lower perceived crime-related obstacles.

These results align with important prior research in institutional theory. This literature suggests that firms in developing economies often rely on informal networks and social capital to navigate weak formal institutions (Khanna & Palepu,

2010; Mair et al., 2012). The unexpected relationship between family involvement and corruption, however, suggests that informal networks based on *Wasta* and *suchlike* arrangements may also expose family firms to greater corruption risks (Hutchings & Weir, 2006b).

The positive relationship between family ownership and financial constraints is of interest. This contradicts our hypothesized notion that family firms, with their access to patient capital and informal familial financial networks, would face less challenges securing formal finance (Dyer, 2006). Instead, our findings suggest that family firms may face challenges relating to the reluctance to dilute ownership or difficulties in meeting the formal or documentation requirements of financial institutions. This aligns with Samara (2021), who noted that family firms in the Arab world often prioritize long-term control and stability over short-term financial growth or gains.

The lack of a significant relationship between family involvement and regulatory barriers suggests that regulatory challenges may be equally problematic for both family and non-family firms. This finding supports the need for further research into how all firms – both family and non-family - interact with formal institutions in the Arab world (Hooker, 2008).

Finally, the finding that family management involvement reduces perceived crime-related barriers suggests that, as family firms are often deeply embedded in their local communities, this provides a protective buffer against crime and disorder (Shi et al., 2015).

These findings highlight the differential effects of various factors on Family Management and Family Ownership. While Land and Corruption were significant predictors in both models, their relationships with the outcome variables differed. Crime was a significant predictor only for Family Management, whereas Finance was significant only for Family Ownership. These results provide insights into the complex dynamics influencing family involvement in businesses and underscore the need for further research to better understand these relationships.

Our findings provide partial support for these hypotheses. Family ownership and managerial involvement were found to significantly reduce perceived barriers to land access. This finding was in line with the notion that family firms can leverage their social capital and local embeddedness to secure this critical resource. However, contrary to expectations, family ownership was associated with barriers

associated with higher perceived financial constraints. This suggests that despite their hypothesized advantages, family firms in the Arab world may still struggle to access finance. We could suggest that this may be due to factors such as reluctance to relinquish control to lenders or potentially the informality of operations which tends to make borrowing more challenging.

Regarding institutional barriers, family management involvement was linked to lower perceived crime and disorder obstacles, potentially reflecting the stabilizing influence of family governance on firm operations and the embeddedness of the firm within the local community. However, both family ownership and management were associated with higher perceived corruption barriers. This is a complex and concerning finding that merits further investigation. Family involvement did not significantly affect regulatory barriers, indicating that family firms may not necessarily have an advantage in navigating bureaucratic hurdles.

Practical Implications

Family businesses need to recognize their unique characteristics and strengths in navigating the Arab business landscape. For family business owners and managers in the Arab world, our findings underscore the importance of leveraging family social capital to secure key resources. These family resources can be employed in terms of developing tailored governance approaches, training and development programs to accentuate strengths related to familiness and mindful deployment of family connections, where appropriate, to enhance performance or to mitigate problems.

The degree of family involvement with the firm does seem to provide some benefits in relation to the mitigation of crime-related issues, although there seem to be limits to the positive impact that family involvement has in other areas. Policymakers and lending institutions should note the persistent financing challenges faced by family firms and consider targeted interventions to improve access to financial capital.

We note that family businesses should capitalize on their familial social capital and extended family networks to secure access to critical resources including land. The study found that family involvement significantly reduces barriers to land access, suggesting an important family role in leveraging ties and local embeddedness to access land and navigate bureaucratic hurdles on favorable terms (Rice et al., 2024).

Integrating family members into structured governance systems within firms can systematize these benefits while maintaining transparency and accountability. For example, family councils or family-inclusive advisory boards may ensure that family resources are deployed strategically to enhance business performance.

The study noted that, counter to expectations, family firms face persistent challenges in accessing finance. In response, policymakers or financial institutions should develop targeted interventions, programs and policies to improve access to financial capital for family businesses. Such arrangements are vital to facilitate economic growth in regions where family firms form a core of economic activity.

The findings that family involvement can mitigate crime-related challenges suggest that family firms should continue to invest in building strong community relationships, including with community leaders and law enforcement.

Theoretical Implications

This study extends institutional theory and the institutional voids perspective to the unique context of family businesses in the Arab world. In so doing, our study contributes to contextualizing family business research in the Arab world, thus addressing a significant gap in the literature (Samara, 2021).

Our findings support the notion that family involvement can confer advantages in navigating certain institutional challenges, such as access to land, but also reveal unexpected relationships, such as the link between family ownership and higher perceived financial constraints and corruption. These results suggest that the institutional benefits of family involvement may be contingent on the specific resource or barrier in question, highlighting the need for a more nuanced understanding of family firms' institutional embeddedness (Bizri, 2022). As such, our findings highlight the complex impact of institutional factors on family firms' operations.

This study extends institutional theory and the institutional voids perspective to the context of family businesses in the Arab world, addressing a significant gap in the literature (Samara, 2021).

Our findings support the idea that family involvement can confer certain advantages in navigating institutional voids. This supports the idea that firms in emerging markets may rely on informal networks and social capital to compensate for weak formal institutional arrangements (Khanna & Palepu, 2010; Mair et al., 2012).

However, the study's findings also reveal unexpected relationships, such as the association of family ownership and both higher perceived financial constraints and corruption. These findings suggest that family firms might not always have an advantage in navigating institutional voids in complex and emerging contexts. One explanation is that institutional void bridging may be contingent on the specific resource presences or absences, or indeed the barrier in question. For example, while family firms may access land easily through the deployment of family networks, they may struggle to effectively deploy these same networks to access formal financial resources (Dyer, 2006).

These complex results suggest the need for a nuanced understanding of family firms' institutional embeddedness. While family involvement, apparently, can provide certain advantages, it can also create vulnerabilities. This is particularly true in contexts where informal institutions dominate, and formal institutions are weak.

Our study also contributes to the growing literature on entrepreneurship and family business in emerging and developing economies. Consequently, it answers calls for more research on how firms navigate institutional voids and challenging macro-environmental situations in these contexts. By focusing on the Arab world, it provides insights into a region that has received limited attention in prior studies, broadening our shared understanding of the institutional dynamics shaping family businesses globally (Luo et al., 2005).

While advancing our understanding of how family businesses navigate institutional voids, based on our findings, further research is needed to explore the paradoxical relationship between family involvement and corruption perceptions, for example. This research could explore different contexts, adopt different measurement strategies and use other forms of modelling.

Limitations and Directions for Future Research

We acknowledge some key limitations with the study. Principally, as we relied on perceptual measures and a cross-sectional, secondary dataset, there are key measurement challenges innate on the work. Future research could employ primary, mixed methods approaches and longitudinal designs to objectively measure and better establish causal relationships. Additionally, exploring potential mediators and moderators, such as firm size, industry, or country-level factors, could provide a more nuanced understanding of the relationship between family involvement and institutional barriers in the Arab world context.

In addition, while our sample was drawn from six Arab and MENA nations (Egypt, Jordan, Lebanon, Morocco, Tunisia and West Bank and Gaza), we cannot claim that these nations are fully representative of the Arab world. Missing from our sample are nations of the Gulf Cooperation Council which represent more advanced economies with arguably more diversified and advanced economies. Replicating this research in the entire Arab context may provide more varied and comprehensive findings.

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