

IMPACT OF COVID-19 ON FAMILY BUSINESS AND CORPORATE GOVERNANCE IN  
THE KSA



Impact of Covid-19 on Family Business and Corporate Governance in the KSA

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A Dissertation Submitted in Partial Fulfillment of the Requirements of the Degree

Bachelor in Entrepreneurship

Effat College of Business

Effat University

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Spring 2021


IMPACT OF COVID-19 ON FAMILY BUSINESS AND CORPORATE GOVERNANCE IN THE KSA

Certification of Approval

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I, Jana Al Ghadi, declare that all of the materials presented in this paper are my own work, or fully and specifically acknowledged wherever adapted from other sources. I understand that if at any time it is shown that I have significantly misrepresented material presented to Effat College of Business at Effat University, any degree or credits awarded to me on the basis of that material may be revoked.

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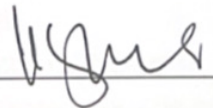
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## Abstract

Family businesses form an important component of both private and public sector of business. It is highly strategic move to set up corporate governance so that the businesses can function effectively and efficiently in the market. It will help in improving the performance of the business by giving right amount of control to the family members as well as the non – family business members to avoid different types of conflict especially the one that is common between the owners and the managers. It also adds definite structure to the business thereby making it more successful. Saudi Arabia is home to many large firms that are run by families. Not only this, SMEs are also family businesses in both sectors. With the emergence of COvid-19 global pandemic the entire business industries across the world have been impacted. This impact was also faced by the family businesses in Saudi Arabia as well. The aim of the research was to assess the impact of Covid-19 on family business and corporate governance, and to find the link between the family business and corporate governance in the KSA. The methodology used was qualitative in nature due to the use of interviews from 2 – 3 family businesses in Jeddah, Saudi Arabia that provided with insights of how family business works with corporate governance and its impact on its performance respectively. The results of the research finally concluded that the family businesses.

**Key words:** control, corporate governance, family business, private, public, Saudi Arabia

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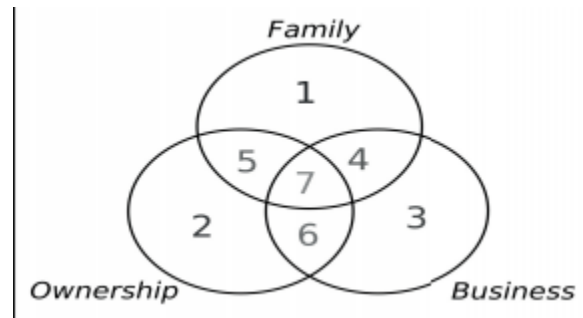
## **1. Introduction**

This part of the research will give a brief about the topic of research along with the discussion of problem statement. It will then mention aim and objectives, significance, scope and method of the research which will be further discussed in the latter sections in detail.

### **1.1. Background**

A business is efficient in running only if there is a proper mechanism setup that assists it in functioning in the market. The topic of family businesses and its link with corporate governance has received a lot of attention over the years from the academicians, researchers as well as practitioners. Many researchers are trying their best to come up with definite amount of information in order to understand the relationship between the two concepts of entrepreneurship that will further assist in research and practice done in future so that the family businesses can improve accordingly. Before discussing the in – depth information of the topic, it is important to understand that family business is defined as a system that has three subsystems namely: business, ownership, and family which overlap each other despite being independent. All these need to be integrated well for the family business to work well in the market it is operating, (Verbruggen, 2012).

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**Figure 1: Family business diagram**

One of the common businesses observed in the Middle East is family businesses and Saudi Arabia caters a lot of them as most families are comfortable in running businesses with the family members rather than outsiders. The family businesses in Saudi Arabia are also focusing on corporate governance and are applying it in practice to attain success by improving performance on an overall basis in addition to determining key roles between family and non – family members in the business. It is also evident that corporate governance also adds to the continuity of the business which means it can run for over a long period of time, (Verbruggen, 2012).

## **1.2.Problem Statement**

Saudi Arabia is known to be a place with multiple family businesses which are highly successful. The success relies on how they are governed and function in the economy. One of the contributing factors to it is corporate governance. Due to Covid-19 global pandemic, many businesses found their functions to be distorted. The economic impacts of the pandemic questioned the integrity of highly successful family businesses and their corporate governance as well. This study will try to get an in – depth analysis of family business and its corporate governance. The research problem is indicated in the following manner:

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What is the impact of covid-19 on family businesses and corporate governance in the KSA?

## **1.3.Aim and objectives of the research**

The aim of this research is to analyze the impact of Covid-19 on corporate governance and family businesses in KSA.

The objectives of the research are:

- Define family business and corporate governance separately
- Discuss the impact of Covid-19 on family businesses and corporate governance separately
- Integrate these concepts and study their impact on one another
- Discuss its significance with regards to Covid-19 on the family businesses in the KSA

## **1.4.Significance of the research**

This research is important as it deals with understanding and analyzing the current pandemic situation that is being faced across the world. It will help in identifying the impact of Covid-19 on the family businesses and corporate governance, and its practical implications in few businesses to evaluate its relevance in the Kingdom.



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## 1.5. Methodology of the research

<b>Scope of the research:</b> Family businesses in Jeddah, KSA.
<b>Qualitative methodology:</b> Interviews from owners and board members of family businesses. Survey of family business owners.

## 1.6. Parts of the research

The parts of the research are introduction which will discuss background, problem statement, aim and objectives, significance, scope and method of research. In literature review, various texts in relation to literature will be analyzed to identify the gaps, methodology will discuss the method, type of data, and scope of the research. The results will cover the interviews and deduce important points from it. The conclusion will give an overview of the entire research in addition to offering limitations and recommendations or suggestions likewise.

## 2. Literature review

The literature review of this research will discuss about family businesses, corporate governance, family business during Covid-19, and the impact of Covid-19 on the corporate governance in family businesses in the KSA.

### 2.1. Family businesses

Researchers in the business field are always interested in knowing more about family business as they function differently from the conventional forms of business. When one considers, family businesses, the name itself suggests that members of a single family operate the business. Furthermore, it is defined as a business that is managed by family members who are related by blood or marriage, (Brenes et al., 2011). The family businesses are working in

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such a way that both families and businesses are integrated and move together in line with each other, (INSEAD, 2014). Most of the family businesses are appreciated as they are major contributors to the GDP of the nations and are economic boosters provided that they are working effectively and efficiently, (Perman, 2006).

Earlier, the protocols were to keep the businesses restricted to family members only. But with changing interests of the family members and their respective deviation from the family businesses led to the issue of succession and handling of the business. This is the reason why non – family members were also given opportunity to be a part of the family business where the key positions held by them were mostly into management. They had different ideas and opinions in relation to how business should function which led to the idea of development of agency problem. This created a rift between these people and lack of ability to make decisions for the welfare that led to downfall of many family businesses which were meant to run in the market for a long period of time. In addition to this, there are additional problems where family members are favored more over non – family members even if they are wrong.

Other issues can be lack of capital by the family members which can be fulfilled by the outsiders provided that they get a share in the family business, (Brenes et al., 2011).

### **2.2. Corporate governance**

Corporate governance is an important aspect of strategic management. It helps in adding the direction to the companies or firms to work towards the achievement of mission, vision and goals respectively. It is applicable to all kinds of firms especially family ones. The structure of corporate governance of family firms involves family members, board of directors and top

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management. All these are present to make reasonable decisions for the family firms especially, (Armstrong et al, 2015).

It varies from company to company and nation to nation despite some basic similarities and most of them use it so that they are sustainable and grow in their respective industries without any hindrances such as presentation of challenging situations of ownership and succession which can destroy family firms over a short period of time. In addition to this, it is used to optimize the value of the firm without taking away its originality and add strong relationship between family and management so that the ownership and succession are not affected in a negative manner, (INSEAD, 2014).

It has broadened its study and practice as it covers all the key aspects of all the stakeholders apart from the shareholders in relation to direction and control provided to them so that the mechanism of the company remains intact and it performs better than its competitors in the market, The researchers also mentioned that it is highly important that the stakeholders outside of the company need to take care of their actions whereby they do not tend to harm the values, interests, rights, and beliefs of the stakeholders inside, hence there is a need of corporate governance as it is highly complex in nature, (Larcker & Tayan, 2016).

### **2.3.Family businesses during Covid-19**

One of the immediate impacts of Covid-19 on family businesses was with regards to the revenue and revenue management practices. Many family business across the world have suffered the impact of Covid-19 mainly from industries such as manufacturing, construction, arts and entertainment, restaurants, and educational institutions. It as noted in a survey

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conducted by Harvard Business Review that nearly 90% of the family businesses have faced negative impacts due to Covid-19 (Baron, et al. 2021).

There were different responses of family business to the global pandemic. While some focused on reducing costs by mitigating spending and employment expenses, some turned to the government programs for seeking financial support. There were a few family businesses who also saw opportunities for innovation and transformation in the wake of the global pandemic. These family businesses reflected the reality of changing global economy. Furthermore, while some family businesses faced decline in operations, others faced increased demands. Such as those operating in the food and services, wholesale and retail, and communication sector.

However, in both cases the power of family business owners is magnified. This is due to the fact that family businesses typically focus on maximizing the value of shareholders and they also place greater value on objectives that go beyond merely financial returns. This differentiates the way family businesses deal with the global pandemic as compared to public companies. Although, the Covid-19 situation is forcing many family businesses to make trade-offs that were previously incomprehensible, the strength of family businesses has enabled them to make necessary amends. This strength roots from the complex dynamics of a family that are reflective in business practices rather than the purely financial relationships that are noted in other forms of public and private businesses (Amore, 2021).

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## **2.4. Corporate governance in family business**

It has been evident that there is a sharp growth in the number of family businesses but they still need to work on the factor of corporate governance in them to be attain success in the market, (PwC, 2014).

When corporate governance is introduced in the family firms, it can be seen that their performance has significant effect on alignment and ownership which also focuses on control on management and resources, business inheritance, and budgeting in terms of revenues and profitability, (Feliana & Liantana, 2016).

The role of corporate governance is to add clarity in terms of definition of roles of the members (family and non – family), effective formation and representation of board, taking care of the interests of the stakeholders, contribution of human capital and social capital, adding logical structure to the family firms and impacts employees, society and economy. In order to make the corporate governance successful, it is important that the influence of certain concepts like ‘attitudes, motivation, values, trust, and integrity’ is important for shaping and processing corporate governance of the family firms. The codes and set of standards also help in uplifting of the performance of the business. Moreover, a proper balance between all the people related to it can be helpful by making family businesses resourceful and credible when it comes to their work that needs to be dealt professionally. So its conceptualization should be done by the professionals only who know how to strategize and prioritize the functions of the firms, (Howorth & Kemp, 2019).

Some nations have good amount of corporate governance in the family businesses which has added to their success and longevity and the best examples of such model are European

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firms. There are some firms in the Asian countries that have weak corporate governance due to which there are constant fights among the family members regarding inheritance of assets and financing of the business. Likewise, American family firms also fail due to lack of proper corporate governance and this shows that implementing it in different manner can make or break the business, (INSEAD, 2014).

### **2.5. Impact of Covid-19 on corporate governance in family business in the KSA**

Family businesses are very common in the KSA. Many businesses are highly successful due to the structuring of the business by means of corporate governance. There is although still a lot of research to be done while discussing about the context of the KSA. The corporate governance regimes in the family businesses of KSA are of high significance in the financial circles of the Kingdom as they are central to the economy. Additionally, the family businesses in Saudi Arabia and the GCC are known to contribute 80% of the non-oil GDP (Al-Rajhi, 2013). The Capital Market Authority and the Ministry of Commerce and Industry are primarily concerned with the performance of family businesses in the wake of Covid-19 global pandemic situation. Furthermore, their efficient operations also concerns a range of government entities in KSA. It is also believed that the family businesses of KSA open the market to foreign investments which seeks to strengthen the corporate governance in an attempt to establish a desirable investment platform (Al-Ghamdi, et al. 2015).

The emergence of Covid-19 has had major impacts on the corporate governance in family business. The increasing number of cases in Saudi Arabia has clearly implied that more family businesses in KSA need to streamline their operations and adopt the best corporate governance strategies in an effort to optimize their efficiencies and neutralize the losses. A wide

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culture of corporate governance is noted in all organizational practices in Saudi Arabia. There are many changes that were noted in the corporate governance of family businesses in Saudi Arabia. These changes were fueled by the ownership mindset that was adopted by the current family business leaders from their predecessors over the years in the Saudi market. One of the major impacts was on communication among the different levels of managements and team which shifted to online modes of meeting, reporting, discussions etc. Building a trustable and open line of communication was one of the most demanding change in the corporate governance of family businesses (PwC, 2020).

Distributing ownership and encouraging the members of family businesses was also a change in corporate governance which gave an increased sense of ownership to the non-family members associated with the business. This also enabled family businesses to remain agile and decisive during Covid-19 turbulent times. The corporate governance also shifted to eliminating bureaucracy and reduced power of ranks when it came to generation of new ideas and crisis management that was vital for the efficient operations of family businesses in KSA. Furthermore, the need for corporate governance training was also highlighted due to the global pandemic which became a need to maintain the vitality of businesses (Sarwar, 2021). Corporate governance associated with business recovery was also aggressively impacted by the global pandemic as family businesses in KSA began taking creative initiatives in attempts to overcome the adverse impact of Covid-19 and form transformational solutions leading to positive outcome. For instance, many family owned businesses in KSA launched e-commerce platforms during the COvid-19 pandemic, optimized their supply chains, managed their budgets more stringently, planned for crisis management, innovated products and services, and diversified

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investments. These impact of Covid-19 on corporate governance ensure that family businesses in KSA are one of the most efficient sector of the Saudi economy (Nurunnabi, et al. 2020).

## **3. Methodology**

Research methodology is a systematic means of resolving issues and is commonly considered to be the science of studying how researches are to be carried out. It can essentially be known as the procedures that researchers follow in order to describe, explain, and predict a particular phenomenon. These procedures are called research methodology. Additionally, it is also defined as the study of various methods that assist in gaining knowledge and accomplishing the aim of providing a plan to the research.

Research methodology holds significance for the research issue chosen and it is the duty of a researcher to understand not only the research methods and tools that are necessary to gather data, but also the methodology chosen. The researcher should be aware of the research methodology required for the chosen research question, what will be the order of accuracy for the results by the chosen method, and what is the overall efficiency of the chosen research methods. These considerations form aspects that constitute the research methodology (Kothari, 2004).

### **3.1.Theoretical or Applied Research**

There are two main types of research which are theoretical research and applied research, the type used in this research is the applied research. In applied researches, the researcher is required to solve certain problems by the application of well-known and accepted theories as well as principles. Most of the experimental research, case study analyses, and inter – disciplinary researches come under the category of applied research. Such research is often



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based on the practical applicability to the current situation. For instance, the global pandemic is a current happening which has had impact on the global economy. The research thus analyzes the impact of Covid-19 on particular part of the economy, that is the family businesses and corporate governance, and particular demography that is in Saudi Arabia. Thus, applied research in the current study is concerned with actual life research which has immediate potential applications and understanding (Kothari, 2004).

### **3.2.Type of Research (Quantitative/Qualitative/Mixed)**

The current research study uses a mixed approach for analyzing the research question. Both quantitative and qualitative research methods are implemented through mixed method in order to gain better understanding of the topic and collect data accurately for analysis.

Quantitative research is primarily based on numerical data which can be measured in quantity or amount. The processes in such researches are described in terms of quantities and the results of the research are essentially depicted in a number or set of numbers. It can be considered as a numerical and non – descriptive method which can be subjected to statistical applications or mathematical analysis as it uses numbers. Moreover, it is an iterative process wherein evidence is evaluated and the results are presented in the form of tables and graphs. Quantitative method is considered to be conclusive and it investigates the what, where, and when aspects associated with decision making in and approach to reach conclusions. Statistics is commonly used when applying quantitative method which enables appropriate collection of data to test the theory or hypothesis proposed. This is subjected to inferential or descriptive analysis or both (Edmonds, et al. 2016).

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On the other hand, qualitative research is concerned mainly with phenomenon involving quality. This makes it a non – numerical and descriptive research method that applies reasoning and uses words. The application of qualitative method is done when the aim of the researcher is to find meaning, feelings, and in-depth description of the situation. This data cannot be graphed and is exploratory in nature. It investigates the why and how aspects of decision making. Commonly, this enables the researcher to understand relationships between research topics, measure the weight of each relationship, correlate findings, and offer explanation to the research question (Edmonds, et al. 2016).

Mixed methods are a combination of both quantitative and qualitative methods which offer greater understanding as it includes both numerical and phenomenon related analysis. It provides deeper insights into the research topic, thereby enabling the researcher to conduct analysis and arrive at proper conclusions.

### **3.3.Data Collection Methods**

There are two main types of data collection techniques which are primary and secondary data collection, and they are often regarded as a double-edged sword as they contribute equally to a research. In the current research mainly primary data is collected and used for analysis leading to conclusions. However, to gain an understanding of the topic in general secondary sources are used. For instance to understand the family businesses, corporate governance, and the impact of Covid-19 on both in general. For a more specific approach directed at impact of Covid-19 on family businesses and corporate governance in KSA, the data collected was primary. This was due to lack of adequate research and also to gain

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authentic information. It is essential as a researcher to assess both the data collection techniques for better analysis and understanding.

Primary and secondary data both have their advantages and disadvantages and thus it is essential to weigh them out. Primary data collection method involves collection of data directly from the original source of data rather than going through any existing sources. This type of data collection methods is specifically implied for unique research projects and the information collected later gets shared for use by other researchers. The primary data collection method is considered to be reliable, authentic, and objective as it gives the researcher more control to collect as much data needed as possible in order to analyze and assess the research problem. The only repercussion of collecting primary is data is the high cost that is often associated with collection of data (Hox, et al. 2005).

On the contrary, secondary data collection technique involves collecting data that was primary data collected by someone else in the past and made available for use by other researchers. Thus, at the time of collecting data primary data collection technique was used, but it becomes a secondary data when used by third-party. Secondary data is often accessible easily to the researchers and individuals as they are shared publicly. However, the major drawback of such data is that it is general and not specific for the requirements of the researcher in comparison to primary data (Hox, et al. 2005).

### **3.4. Population and Sample**

A population is an entire group that is being considered by the researchers to draw conclusions about. Whereas, a sample is a specific group from within that population from which the data will be collection. The sample size is always less than the total size of the

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population. Therefore, a sample can be defined as a smaller and manageable version of a larger group. The subset is known to contain characteristics of larger population. Commonly, samples are used in statistical studies that have broader scope and contain characteristics of larger populations. Additionally, the sample selected for a research study should be done carefully in order to avoid bias towards a specific attribute (Kenton, 2021).

In the current study, the population being considered is the family business owners in Saudi Arabia. The sample collected for this study is based on simple random sampling wherein every individual in the population has an equal chance of being selected for the collection of data. Unbiased sampling is done in the current study to take observations that could generate results which can be generalized to the wider population. Therefore, the sample determined in this study is to represent the larger population of family businesses in KSA.

The targeted sample was five family business owners who were approached for interview of which only one accepted and was interviewed. The survey was sent to 60 family business owners or families who were aware of such business. All of the selected respondents filled the survey and gave their opinions.

### **3.5.Tools for Data Collection**

Data collection is a methodical process that is concerned with the gathering and analysis of specific information in an effort to offer solutions to relevant questions and to evaluate results. It focuses on examining the possible options that are available through which appropriate assessment of data can be done. The data collected using different tools is then subjected to further analysis and hypothesis testing which is essential to resolve the research problem and find answers to the research questions (Kairuz, et al. 2007).

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The tools used for data collection commonly depend on the methodology being applied and the resources available at the expense of the researcher. In the current study two main tools for data collection which includes interview and survey. Understanding the type of data collection tool is essential for reaching proper conclusions through analysis. Selecting the right tool for data collection saves ample time and effort for the researcher as well. As primary data collection method is used in the current study, the different primary tools will be discussed in this section along with the tools that are being used.

The raw data that is collected through primary data collection methods could be further sub-categorize into qualitative and quantitative data collection methods. Similar to the qualitative and quantitative research methods, these data collection techniques also offer a difference between non-numerical and numerical data collection respectively. The qualitative method of primary data collection does not involve numbers and is based on elements that cannot be quantified such as feeling, opinions, and description. Some of the common tools of qualitative data collection are web survey chats, in-depth interviews, forum discussions, focus groups, online communities etc. Among these different tools, interviews are used for the current research study as a means of collecting qualitative primary data (Mkandawire, 2019).

Interviews are probably one of the most common tools used for collection of data. They are easy to plan, monitor, and evaluate as well which further adds to its benefits. Interviews can be carried out with a single respondent, which is known as individual interviews. Whereas, the interviews that are done with groups of people are often called focus groups. The administration of an interview as a means of collecting data can be done formally, informally, or semi-formally based on the topic of research and the respondents being interviewed. Commonly, face-to-face interviews are more prevalent. However, other types of media such as

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skype and telephone are also used for the purpose of conducting an interview. In addition to this, interviews can be structured, semi-structure, or open-ended based on the requirements of the researcher and the topic being explored. Structured interviews usually have a set of core questions around which the interview is conducted and the questions are often asked in the same order to multiple respondents. On the other hand, a semi-structured interview also has a set of core question, but it offers more flexibility to the interviewer to ask supplementary questions or change the order in which they are asked. Open-ended questions do not have core set of questions but rather focuses on a core-topic based on which the interviewer asks questions (Ranney, et al. 2015).

In the current study individual interview was conducted where the questioned were asked in a structured manner. The mode of communication was a Zoom meeting due to the current Covid-19 protocols. The questions of the interview were pre-decided and comprised of both open-ended and closed-ended questions which enabled the interviewee to have more freedom to describe their opinion (Appendix – 1)

In addition to the qualitative data collection tool, this study also uses a quantitative method of primary data collection. This techniques enables the provision of data in numbers that can be represented in the form of graphs and percentages. The commonly used quantitative method of data collection is survey questionnaire (Mkandawire, 2019).

A survey is designed to collect and record information from a larger number of people in a consistent way and is usually designed in the form of a questionnaire that contains a pre – determined set of questions. The survey can be distributed in a print format of as an online version. The questionnaire can also be send directly to the chosen sample population through e-

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mail. The format of questions in a survey are structured and usually formal. Using online platforms for conducting survey is easier as it provides the ability to easily assess and visualize the data collected to reach at appropriate findings (Jain, 2021).

In this study, survey questionnaire was made on Google forms and the link was sent to the chosen sample population. Google forms was chosen as the platform for the survey as it provided the added benefit of data visualization through the automatically created graphs. Moreover, it helps in assessing and summarizing the findings easily. The generation of a link also makes it easier to spread the survey among the sample population in a cost-efficient manner.

### **3.6. Ethical Consideration**

Research is commonly aimed at facilitating learning through better understanding of the research and this information is commonly obtained from individuals or sample selected for the purpose of the research. There are various ethical considerations that the researcher needs to take into account. Ethical considerations can be defined as the accumulation of values and principles that address questions of good and bad in the case of human affairs. Ethics also enables searching for reasons that dictate how an individual acts or responds, approves or disapproves a particular conduct, and for believing or denying something (Ketefian, 2015).

The common ethical considerations while conducting a research include providing option for voluntary participation where participants in a research are given the right to withdraw from the research study at any stage that they wish to do so. Additionally, informed consent is an important ethical consideration for the participation of respondents. The researcher should provide sufficient information to the respondents along with assurances about the research. This should be aimed at making the participants understand the research and be fully informed

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in order to make a free choice whether they want to be a part of the study or not. The language used while interacting with respondents should be formal and all sorts of offensive, discriminatory, or unacceptable language needs to be avoided. Furthermore, privacy and anonymity of the participants in a research study are also important considerations. When using secondary sources of information, appropriate referencing and giving credit to the original authors is crucial in order to avoid plagiarism. Moreover, maintaining highest level of objectivity while conducting discussions, surveys, interviews etc. is important throughout the research (Yip, et al. 2016).

In the current study, all the above mentioned ethical considerations were carefully assessed. The interviewee was informed beforehand of the research study along with the educational purpose of the interview. The respondents of the survey were made to agree through a consent form (Appendix – 3) before the survey. The consent form provided the respondents with details of the research with background, purpose, objectives. Moreover, all the participants in this research were assured of their privacy and personal information including name, age, gender, social status, email address etc. which is not to be shared in any form. Additionally, Covid-19 protocols were followed as the interview was conducted through Zoom call and the survey was through online Google forms. The interviewer was informed that the interview will be noted down and presented in the academic research study. The actual data collection initiated after consent from all the participants only. All biases were mitigated while analyzing the data and it was treated fairly.

### **4. Results and Discussion**

#### **4.1. Interview Results**



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The interview was conducted on Zoom meeting with the family who owns and runs Kunafa Factory in Saudi Arabia. The interview began by asking the interviewee to describe the business in their own perspective. The interviewee mentioned that the company mainly operated in the food and beverages sector of Saudi Arabia and they offer a wide range of traditional Arab sweets to the consumers. They described the business to be beautiful with continuous development and scope for diversification of products and items offered. The interviewee also stated that Kunafa Factory has a section for the coffee shop and a section that is dedicated for arranging parties and gatherings. The company builds on the Arab culture and promotes Arab traditions through its food as well as its high-quality service as mentioned by the interviewee.

When the interviewee was asked about the current operations of Kunafa Factory, they responded saying that it was not much impacted due to the Covid-19 pandemic as the main dependence was on take away orders and delivery through the application. Although there was no major impact on the company, Covid-19 did bring developments to the family business which enabled the company to set up a plan to arrange for building new branches.

The next topic of discussion was related to what Kunafa Factory had accomplished or faced over the past year with emergence of Covid-19, the sudden lockdowns, curfew timings, and changing economy in Saudi Arabia. The interviewee mentioned that Kunafa Factory was able to open four new branches across the Kingdom at the beginning of the year, but they noted a 5% decrease as stated by the interviewee in comparison to the results of the company in the previous year. The respondent also mentioned how the brand is more developed over the past year and is seeking to expand into more than one brand that will be associated with Kunafa Factory's operations in Saudi Arabia.

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The interview also included discussion about how the losses in business impact the family relationships. The response received was that business losses do not impact family relationships for Kunafa Factory as they have clear distinction between business and family values. In addition to this, the interviewee also states that family and business matters are never inter – mixed by them which makes it easier to not let business affect their personal relationships with each other as a family.

When inquired for the current protocols being follows, the interviewee mentioned that they had to make a few changes in order to mitigate the effect of Covid-19 on the businesses. The current protocol as described by the interviewee was that the customer is always right, branch managers are given adequate respect and freedom to perform their job, Credit bills from the chairman of the Board of Directors, and that time should always be respected.

The theme of next question was based on assessing the corporate governance of Kunafa Factory. The interviewee mentioned that the global pandemic with its scale and international impact could have never been predicted by any corporate governance strategy. They also mentioned how the corporate governance in their company went through a difficult time to cope with the pandemic initially. The Board of Directors were required to make choices and decisions to ensure sanitation, social distancing, and other Covid-19 protocols did not impact the operations. The safety of employees working to make the sweets during Covid-19 was also a concern for the Board of Directors. The plunging of global economy also put Kunafa Factory into risk of financial downfall, but the interviewee mentioned that the government mitigated the risks very efficiently which did not impact family businesses like itself during the Covid-19 global pandemic. Financial assistance was also made available easily. However, none of this could have helped to predict the uncertainty of global pandemic.

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The interviewee was also asked about the profit difference between dine-in and takeaway mainly during the Covid-19 lockdown. The response was the both are almost the same for Kunafa Factory as the extra packaging costs is almost the same as cleaning costs in dine - in orders. With the Covid-19 the weaver was dispensed and the employee rate also decreased, also with inability of customers to come into the outlets for dine – in, the interviewee mentioned that take away orders were better and also more preferred, but the profit comparison is almost the same as stated by the interviewee.

Kunafa Factory owner was also asked whether they had reduced receiving orders during Covid-19 as a means of maintaining their quality or maximizing it. The interviewee responded the high quality was always the goal of Kunafa Factory and they did not consider such a strategy as they had a well – abled team at each outlet that helped them to match the deliveries with best and high quality food.

The cost of operation was also asked in the interview to which the respondent mentioned that cost of operation decreased since they had to cut down on employees and also the rate of employment in the company decreased due to increased precautionary measures. The interviewee stated a 40% reduction in employment was seen since last year because previously having more employees was alright but currently they need to consider the safety of each employee working from their Kunafa Factory outlet due to which they had to reduce the number of employees at each store.

Lastly, the interview concluded by inquiring whether Covid-19 bought any business changed to Kunafa Factory. The interviewee mentioned that definitely the global pandemic bought changes. It led to a lot of new proposed ideas and changes in the plan and corporate

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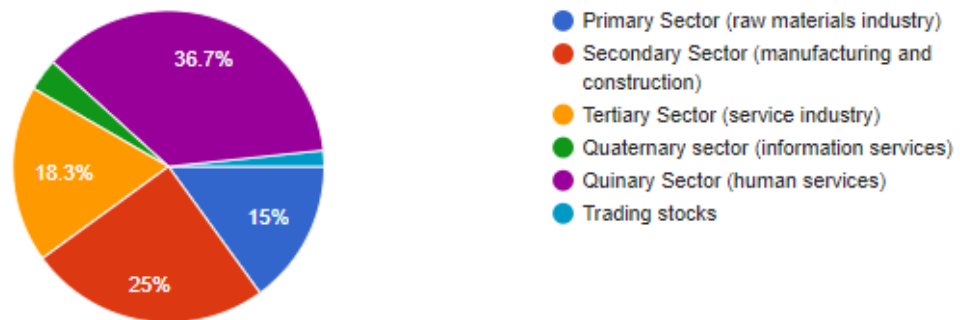
governance as well. The interviewee stated that Covid-19 acted as a push for the family business to strengthen their management. It also provided opportunity for new thoughts, different perspectives, acting with caution, and following precautions. Furthermore, the family business became more focused and aware of areas that need improvement and areas that are the core strengths of Kunafa Factory particularly in the current times.

## 4.2.Survey Results

A total of 60 respondents participated in the survey, all of which belonged to family businesses background. When inquired for the type of business they owned, 36.7% of the respondents had businesses in Quinary sector with specialization in providing human services. This was the majority of business, followed by 25% of the family businesses that were operating in secondary sector with construction and manufacturing, 18.3% in the tertiary sector providing different services, and 15% in primary sector associated with raw material production and delivery. Only a small number of respondents belonged to the Quaternary sector providing information services, and only one respondent mentioned that they traded stocks as business.

### 1) What type of business do you own?

60 responses

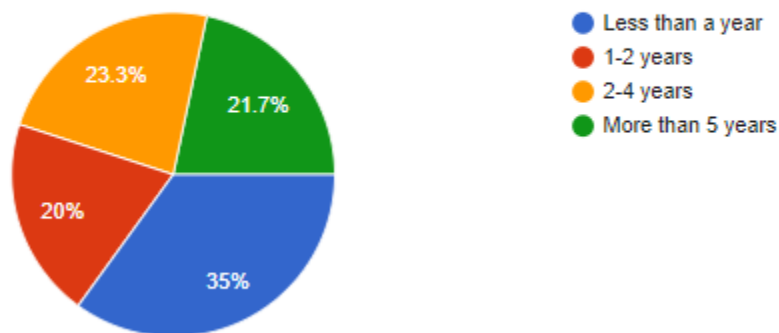


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Majority of the family business were relatively new and young as 35% were established in less than a year, while 23.3% were established 2-4 years ago. About 21.7% of the family businesses surveyed were established more than 5 years ago, and only 20% were established 1-2 years ago.

### 2) How long has it been since you established the business?

60 responses

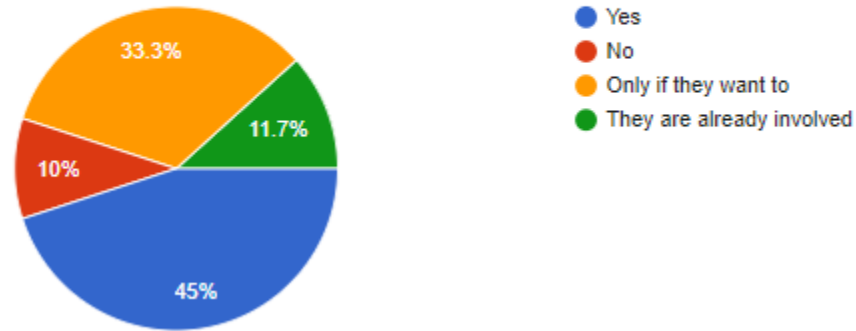


Majority of the respondents with 45% mentioned that they have plans to involve the next generation into their family business, while 33.3% of the respondents said that they would involve the next generation only if they were willing to join. Moreover, 11.7% of the family businesses already had the next generation involved and 10% did not have any plans for involving the next generation.

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3) Does your family business have plans to involve the next generation into the business?

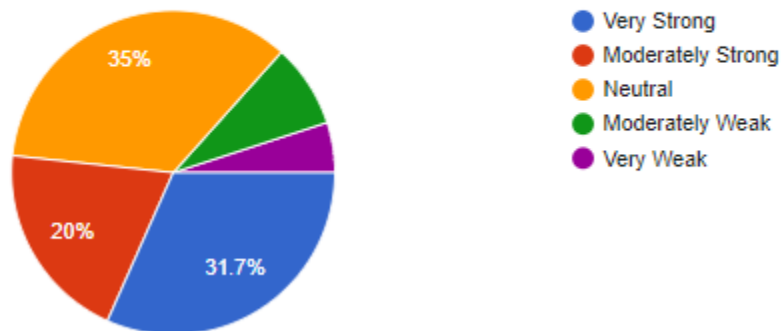
60 responses



About 35% of the majority mentioned that their business was neutral during the global pandemic, while 31.7% stated that their business faced a very strong effect of Covid-19. 20% of the respondents felt moderately strong effect of the global pandemic. The minority of the respondents 8.3% and 5% mentioned that the effect of Covid-19 was moderately weak and weak respectively on their family business.

4) How would you describe the effect of Covid-19 on your business?

60 responses

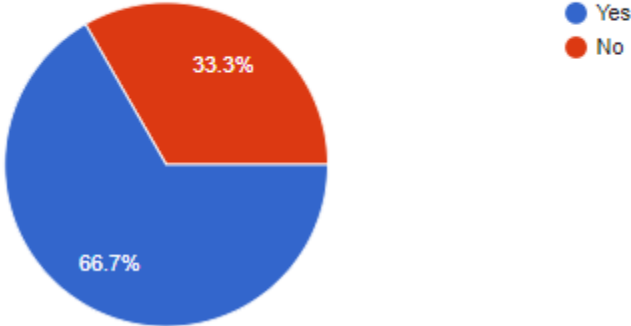


Majority of the respondents 66.7% mentioned that they faced losses in their family business over the pandemic, while 33.3% mentioned that they did not face any loss.

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5) Did you face losses in your business over the pandemic?

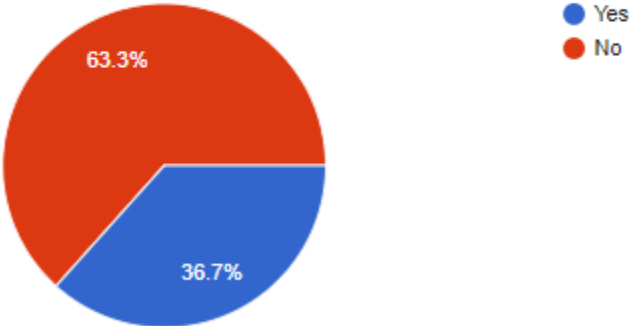
60 responses



When inquired if the losses impacted family relationships, majority of 63.3% mentioned that business loss had no impact on family relationship, while 36.7% felt that losses in business were felt in personal relationships as well.

6) Did these losses in business impact your personal family relationships?

60 responses

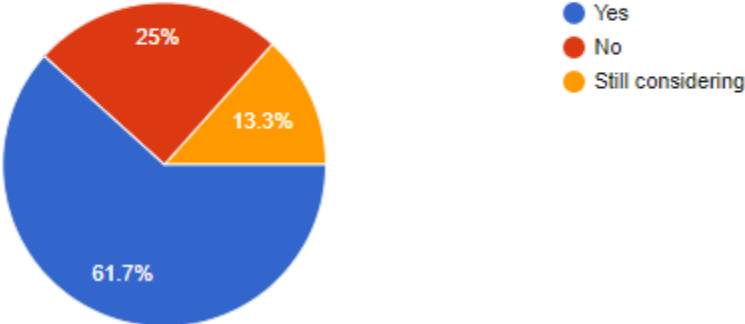


In addition to this, the survey also inquired if the emergence of Covid-19 made family business take innovative approaches, 61.7% of the majority mentioned that they had to take innovative approaches, while 35% did not take any such approaches, and 13.3% of the respondents were still considering on the innovations to be implemented in their family businesses.

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7) Do you think your family business has taken innovative approach to overcome the impact of Covid-19?

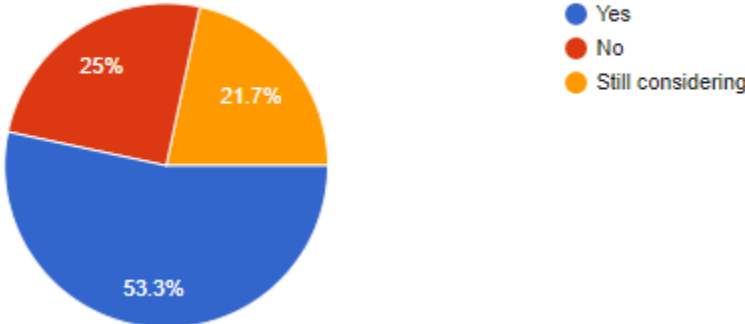
60 responses



Moreover, 53.3% of the respondents mentioned that they came up with remedial policies and protocols to overcome the impact of Covid-19 on their family business and corporate governance. While 35% did not come up with any such policies, and 21.7% were still considering.

8) Did you come up with any remedial policies or protocols to overcome the impact?

60 responses



When inquired if the corporate governance of their family businesses was prepared to tackle the current situation of Covid-19 global pandemic, 46.7% gave a neutral response, while 21.7% mentioned that their corporate governance was moderately prepared. About 16.7% of the

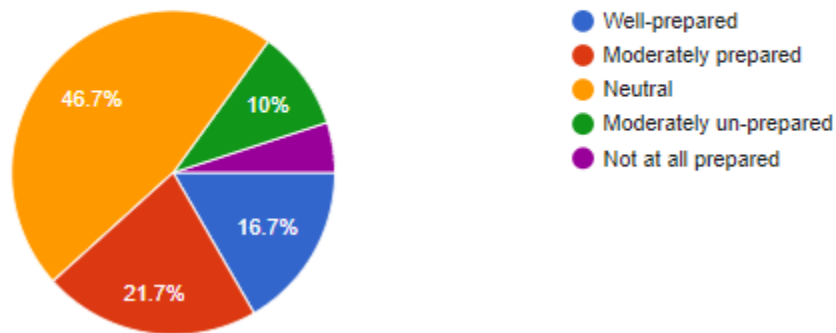


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respondents felt that their corporate governance was well-prepared, 10% mentioned moderately unprepared and 5% of the minority felt not at all prepared to tackle Covid-19 situation in their family businesses.

9) How prepared was your family business' corporate governance to tackle this situation?

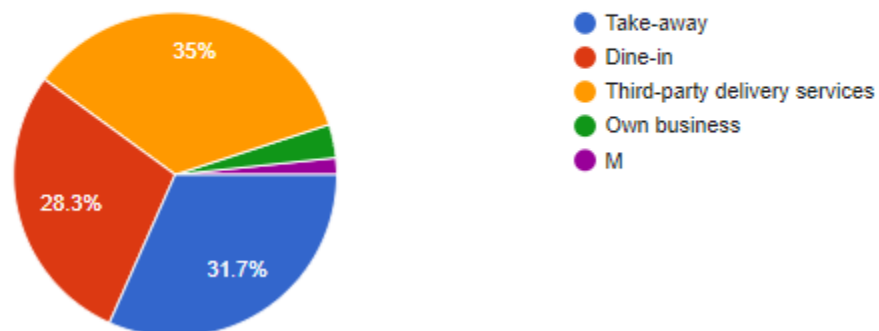
60 responses



When inquired which among take-away, dine-in, third party services, and own business was profitable the most, 35% mentioned that third part services were more profitable before Covid-19. While 31.7% mentioned take-away to be most profitable, and 28.3% stated dine in to be profitable for their family business.

10) Before Covid-19, which of the following was more profitable for your business

60 responses

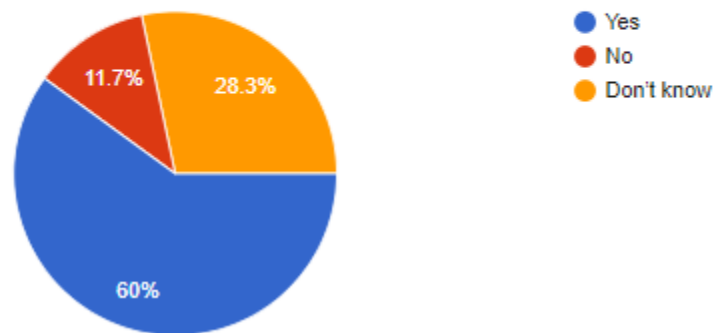


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The respondents were also asked if they see their family businesses running in the next five years following the impact of Covid-19. Majority of 60% mentioned that they see their family businesses running, while 28.3% did not know for sure, and 11.7% felt that their business would not last for the next five years.

11) Understanding the impact of Covid-19, do you see the family business running in the next 5 years?

60 responses

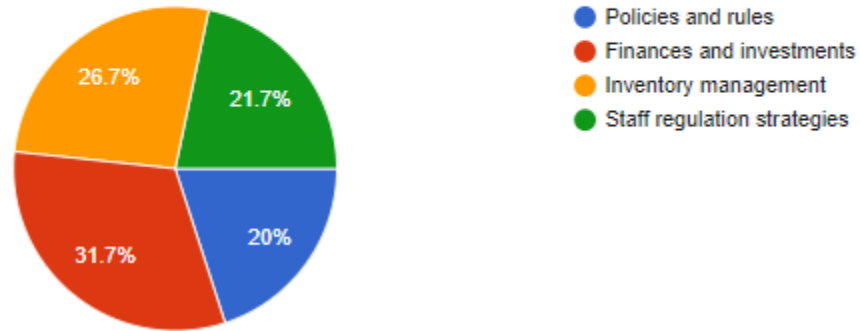


When asked about what area of business operations the family businesses could have prepared better, a mixed response was obtained. 31.7% mentioned finances and investments, 26.7% mentioned inventory management, 21.7% mentioned strategies to regulate staff, and 20% mentioned changes in policies and rules. This shows that Covid-19 impacted not one but almost all sectors of internal business operations in family businesses.

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12) Which areas of your business operations do you think you could have prepared better?

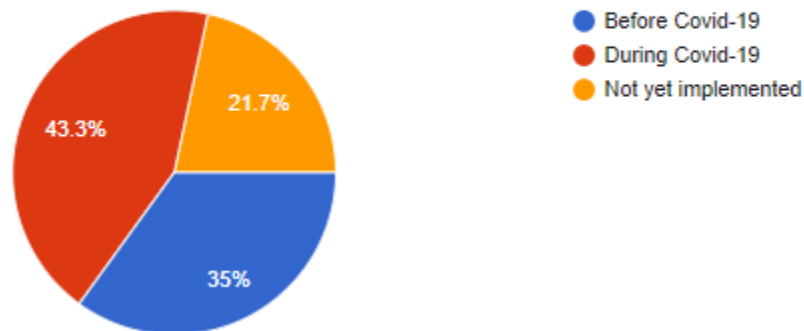
60 responses



Additionally, the respondents were also asked when they applied digital technology to which 43.3% mentioned during Covid-19, 35% had applied digital technology before Covid-19, and 21.7% did not implement it yet.

13) When was the application of digital technology in your family business?

60 responses

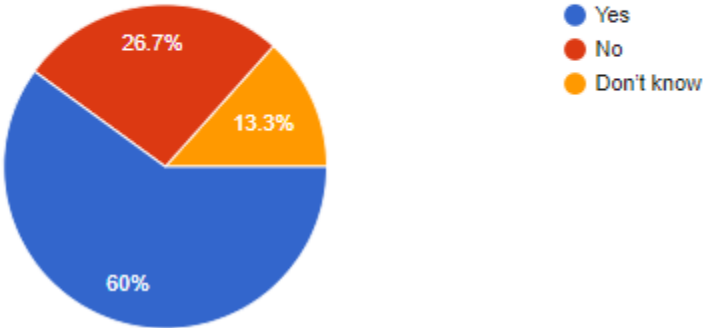


The respondents were also asked if they felt the current technological advancements made it more feasible and easier for their family business to overcome the impacts of Covid-19. Majority of the respondents 60% agreed that technology helped them overcome the pandemic situation, while 26.7% felt that technology did not make it easier for them, and 13.3% did not know if technology brought any beneficial changes to their business.

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14) Do you think the current technology made it easier for your business to overcome the impact of Covid-19?

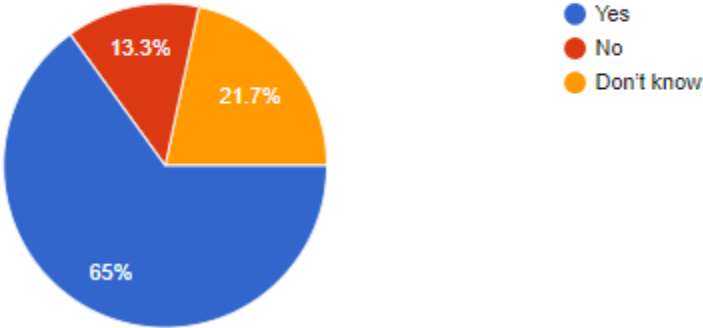
60 responses



Lastly, the respondents were asked if they see more family businesses to grow in Saudi Arabia in the coming years. 65% of the respondents said they do visualize more family businesses emerging, while 21.7% did not know and 13.3% said they do not think more family businesses will grow in Saudi Arabia in coming years.

15) In the coming years, do you see more family businesses to grow in Saudi Arabia?

60 responses



## **5. Conclusion**

Family businesses are integral part of the business research and practice. Upon concluding the research, it can be evident that most of the researchers agree to the positive link between the family businesses and corporate governance. It helps in adding sustainability and growth to the businesses provided that it is incorporated in the right manner. It will add value to the firms as well. The idea of corporate governance is different at many levels. This applies to the various family businesses in the KSA as well. With the emergence of Covid-19, not only the global economy but also the infrastructure of multiple family businesses was impacted. The global pandemic changed the means of businesses drastically with the social distancing measures, curfews, and nation wide lockdowns. The unexpected shift noted in the business environment impacted many including the family businesses. The corporate governance of family businesses had to take remedial measures and make necessary changes in order to sustain the economic downfall brought by the global pandemic. Surveying and interviewing different firms in the quantitative as well as the qualitative method of this research helped us understand the level of corporate governance in them and how each one varied with varying corporate governance. It also helped us to assess the impact Covid-19 had on family business in Saudi Arabia and what changes it brought to internal family dynamics, profits, and corporate governance of these businesses. Furthermore, it can be then concluded that corporate governance is positively related to the family businesses as it helps them strengthen to perform well in the market. Additionally, corporate governance served as one of the key means through which family businesses could tackle and emerge from the impact of Covid-19 in Saudi Arabia.

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## **5.1.Limitations of the research**

The limitations of the research are as follows:

- The research is limited to one place in Saudi Arabia, so it cannot be generalized for other cities as well.
- The interview does not give a clear idea on how other family businesses deal with the corporate governance thereby leaving gaps in the research.
- The survey was harder to send to specifically family restaurant owners.
- The research lacks numerical information which would be beneficial in providing statistics or factual information in relation to the research.
- The family businesses were from all industrial backgrounds so industry-specific impact of Covid-19 could not be understood.
- Moreover, it is time – consuming and there was time constraint for the completion of the research.
- It required a lot of labor for the research to be done on time.

## **5.2.Recommendations of the research**

The future researchers can provide empirical and statistical data of family businesses of all the cities in Saudi Arabia to get good amount of information for the respective topic of research. The details of names, owners, and contacts if provided by the government and statistics department can make it easier to conduct surveys directed at these businesses. In addition to this, they can focus on more industries in which family businesses are operating. Corporate governance strategies in most of the family businesses are quite private and a general overview of corporate governance in line with the Saudi law and government can be researched upon in

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future. Although, the current research links the impact of Covid-19 with family business and corporate governance, a larger scale of research can be done covering more businesses to provide better results. These results can then be generalized to industry specific family business.

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## **7. Appendix**

### **7.1. Interview Questions**

1. Describe your business.
2. How is your business running currently during this the Covid-19 pandemic?
3. What has happened over the past year since Covid-19 to your business?
4. Did the losses affect family and business relationship?
5. What are the protocols that you are following currently to take into considerations the effect your business had because of Covid-19?
6. Can corporate governance take this uncertainty into account? Please state your response in detail.
7. Did you profit more from dine in or take away during the Covid-19 lockdowns?  
And was this the same before Covid-19?
8. Did you minimize receiving orders during the pandemic as a means of maximizing quality?
9. Did the cost of operation and dine in increase or decrease due to Covid-19?
10. Did the covid-19 pandemic change anything in your business? If yes why?

### **7.2. Survey Questions**

- 1) What type of business do you own?
  1. Primary Sector (raw materials industry)

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2. Secondary Sector (manufacturing and construction)
3. Tertiary Sector (service industry)
4. Quaternary sector (information services)
5. Quinary Sector (human services)
6. Others: \_\_\_\_\_

2) How long has it been since you established the business?

1. Less than a year
2. 1-2 years
3. 2-4 years
4. More than 5 years

3) Does your family business have plans to involve the next generation into the business?

1. Yes
2. No
3. Only if they want to
4. They are already involved

4) How would you describe the effect of Covid-19 on your business?

1. Very Strong
2. Moderately Strong
3. Neutral
4. Moderately Weak
5. Very Weak

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- 5) Did you face losses in your business over the pandemic?
  1. Yes
  2. No
  
- 6) Did these losses in business impact your personal family relationships?
  1. Yes
  2. No
  
- 7) Do you think your family business has taken innovative approach to overcome the impact of Covid-19?
  1. Yes
  2. No
  3. Still considering
  
- 8) Did you come up with any remedial policies or protocols to overcome the impact?
  1. Yes
  2. No
  3. Still considering
  
- 9) How prepared was your family business' corporate governance to tackle this situation?
  1. Well-prepared
  2. Moderately prepared
  3. Neutral
  4. Moderately un-prepared
  5. Not at all prepared

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10) Before Covid-19, which of the following was more profitable for your business

1. Take-away
2. Dine-in
3. Third-party delivery services
4. Others: \_\_\_\_\_

11) Understanding the impact of Covid-19, do you see the family business running in the next 5 years?

1. Yes
2. No
3. Don't know

12) Which areas of your business operations do you think you could have prepared better?

1. Policies and rules
2. Finances and investments
3. Inventory management
4. Staff regulation strategies
5. Other: \_\_\_\_\_

13) When was the application of digital technology in your family business?

1. Before Covid-19
2. During Covid-19
3. Not yet implemented

14) Do you think the current technology made it easier for your business to overcome the impact of Covid-19?

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1. Yes
2. No
3. Don't know

15) In the coming years, do you see more family businesses to grow in Saudi Arabia?

1. Yes
2. No
3. Maybe