Journal for Business Education and Management
ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
Volume 3, Issue 2, Page 19-33, December 31, 2023

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS - PSYCHOLOGICAL PERSPECTIVE

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Abstract

This research investigates the performance evaluation of company directors in family businesses, focusing on behavioral impediments to embracing corporate governance standards. The study aims to understand the psychological dynamics influencing board performance, examining the correlations between directorial duties, board structure, job satisfaction, responses to minority shareholder rights, and risk-taking behavior. The rationale stems from the recognized gaps in existing literature, necessitating a nuanced exploration of the psychological dimensions within family business boards. The research employs a quantitative approach, utilizing Pearson correlation coefficients to analyze relationships among key variables. Results indicate a significant positive correlation between the absence of clearly defined directorial duties and an unstructured board, contributing to diminished job satisfaction ($r = 0.304^*$, $p < 0.05$). An unstructured board with lower job satisfaction correlates positively with a corporate personality responsive to minority shareholder rights ($r = 0.574^{**}$, $p < 0.01$). Furthermore, an unstructured board with reduced job satisfaction is associated with a corporate personality more inclined to handle risks freely due to ego and overconfidence ($r = 0.596^{**}$, $p < 0.01$). The study highlights the need for well-defined directorial roles to mitigate behavioral hindrances, fostering structured boards for enhanced governance and risk management in family businesses.

Keywords: Board of Directors, Emotional Intelligence, Size of Board, Experience of Board Member, Education

Introduction

The basal understanding of director performance and behavior extracted from Mace (1971) is that directors become a source of advice for the benefit of the directors. It is necessary to take the company's cost- and result-oriented decisions. The company board serves at the top management positions, faces the challenges directly, and solves them based on their knowledge and wisdom. Demb and Neubauer's (1992) research studies elaborate that 60% of the directors place themselves in a strategic position of the company while 80% of the company directors are under the company's strategic operations category. The disciplinary approach worked on behalf of the CEO and top management of the company and most probably appears based on the peers inside the organization. Lorsch and MacIver (1989) highlight that boards use the passive approach, which works toward discipline. MacAvoy and Millstein (1999) indicate that the board of directors has a less passive approach that evolved from a rubber stamp to activate the managerial position and monitor things independently. A new direction to

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governance through which the board can dismiss the CEO based on the company's current financial position. Each model design for good governance in the organization gives a crystal-clear view of controlling the operations. It also provides decision-making support and guidance for the board of directors. (Hermalin,1994). The core issue is maintaining coordination among the firms and associated businesses. The abstract level of good governance moves with the organization's financial performance. The complex situation gives a tough time to the board of directors and solves the problems via a panel of governance.

Combination of Board Committees

The board committee consists of several members with a strong professional background. All member works under an organizational structure. Anil and Yermack (1999) use the valuable information the board committee nominates. The board committee directly nominates the company's CEO, and the decision taken by the board of directors will impact the company's stocks. Klein (1998) discussed the relationship between the committee and the company's performance. This research study has no significant relation between the board and organization performance. The person associated with the finance department and investment planning team is liable to generate the company's performance.

Rationale

Existing gaps in the literature suggest insufficient exploration of the consequences of unclear directorial duties, potentially resulting in unstructured boards and their subsequent impact on job satisfaction within family businesses. Additionally, the study is motivated by the realization that the psychological responses of corporate personalities to the rights of minority shareholders have not been adequately examined in the context of corporate governance. Furthermore, the study seeks to address a critical gap in our knowledge concerning the psychological factors influencing a board's approach to risk management, specifically about ego and overconfidence. By undertaking this research, we aim to contribute valuable insights that can inform better governance practices within family businesses, providing a more comprehensive understanding of the psychological dynamics at play within boards of directors.

Problem Statement

The problem revolves around the performance evaluation of board directors within family businesses, specifically focusing on the psychological aspects influencing their effectiveness. There is a lack of clarity regarding directorial duties and responsibilities, potentially leading to unstructured boards, and the repercussions of such a scenario on job satisfaction within family businesses remain inadequately explored. Furthermore, the study aims to address the limited understanding of how corporate personalities' responses to the rights of minority shareholders impact overall corporate governance. The psychological dimensions shaping a board's approach to risk management, especially about ego and overconfidence, also need thorough investigation. Thus, the problem statement emphasizes the need for a nuanced examination of these psychological dynamics to gain insights into the board of directors' challenges in family businesses, ultimately contributing to enhancing corporate governance practices.

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Research Questions

The research questions guiding this study are as follows:

1. How does the absence of clearly defined directorial duties and responsibilities contribute to forming unstructured boards, and how do such boards impact job satisfaction within family businesses?

2. In what ways do corporate personalities respond to the rights of minority shareholders, and how does this response influence the overall corporate governance within family businesses?

3. What psychological dimensions shape a board's approach to risk management, particularly about ego and overconfidence, and how do these dimensions impact decision-making within family businesses?

Research Objective

The purpose of this study is to evaluate the effectiveness of the board of directors, paying special emphasis to psychological aspects. To understand the effects of unstructured boards on work satisfaction in family businesses, the study will examine the psychological factors that influence directors' responsibilities. Additionally, the study will assess how corporate personalities respond to the rights of minority shareholders and examine how psychological factors related to risk management, such as ego and overconfidence, influence a board's decision-making. The objective is to comprehend the psychological dynamics among boards of directors and how they impact effective corporate governance in the context of family businesses.

Theoretical Framework

Psychological perspectives that evaluate the effectiveness of boards of directors serve as the theoretical foundation for this study. By utilizing established theories from organizational psychology and corporate governance, the study seeks to understand the psychological factors that impact board members' attitudes and choices. This study examines how psychological factors, such as ego and overconfidence, impact a board's approach to risk management, how unstructured boards impact job satisfaction in family businesses, and how corporate personalities respond to minority shareholder rights. By combining these psychological viewpoints, the study offers a theoretical framework for understanding the subtleties of board dynamics and their implications for efficient corporate governance in family business environments.

Conceptual Framework

The conceptual framework for this study is based on the intersection of key concepts from organizational psychology and corporate governance. The framework essentially considers how psychological factors influence the performance of boards of directors. According to the proposal, a disorganized board may result from a lack of clearly defined directing responsibilities, which may affect the job satisfaction of family business employees. The framework also examines how corporate personalities

impact corporate governance overall regarding minority shareholders' rights. It also explores the psychological aspects that influence a board's perspective on risk management, especially about ego and overconfidence. By elucidating these conceptual linkages, the study aims to comprehensively understand the psychological dynamics within boards of directors and their implications for effective governance in family businesses.

Hypotheses

H_1: An unstructured board with lower job satisfaction in family businesses is strongly positively correlated with the unstated duties and responsibilities of the director.

H_2: An unstructured board with lower job satisfaction positively correlates with the corporate personality's attitude toward minority shareholder rights in family businesses.

H_3: A significant positive correlation exists between the director's duties and responsibilities not being mentioned and the corporate personality being carefree to handle the risk due to ego and overconfidence.

H_4: A significant positive correlation exists between an unstructured board with less job satisfaction in family businesses and corporate personalities being free to handle the risk due to ego and overconfidence.

H_5: There is a significant positive correlation between corporate personality's response towards the rights of minority shareholders and corporate personalities being free to handle the risk due to ego and overconfidence.

Significance of Research

This research holds significance as it addresses critical issues affecting the governance and management of family-owned businesses. The findings will contribute to the existing body of knowledge in business management, providing practical insights for family business owners, directors, and other stakeholders to enhance their operational efficiency and sustainability.

Literature Review

Considering the corporations' working scenario, it becomes very difficult to observe the operation on a routine basis. The auditors can supervise the whole control to maintain the company account's standards under tight inspection. The wrong working inside the organization becomes an alarming situation for an organization. In this sense, the Enron, WorldCom and Parmalat case has a history of fraudulent behavior of the directors and auditors. The board of directors of such companies is responsible for the losses and fraud. Enron was liable to pay a penalty of $168 million to their investors, while on the other hand, WorldCom directors paid $36 million to their investors after the investigation. Concerning those cases, the concept of corporate governance was formed. This study's core objective is to formulate strategies for regulating company operations. The research's core focus highlights the question of what the board's major function is. There is a legal and act requirement in which companies appoint directors to control the operations. The action performed by the

ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
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board is not based on the digital inspection. Mostly, it depends on the physical interaction among the company's staff. The main difference of the board committee is that it depends on the behavioral approach. In general perspective, the non-executive and executive director in the company behaves in a different mode. The main board of directors can decide instantly based on the firm's financial performance.

The measurement scale for director performance

Each director observes the performance of the other director, and the chairman is also a strong tool for the directors' performance. It must know the financial and business skills and understand the various business scenarios. The company's management bodies must perform certain responsibilities to maintain the company's performance.

1. Establish objectives through vision and skills.
2. Ensure the company has enough reserve for its work in the desired directions.
3. The management team's appointment safely got the company's assets and reputation.
4. Report performance to the various stakeholders
5. In case a wrong activity takes place, take corrective action
6. Decision-making role
7. Strong monitoring
8. Advise managers and other stakeholders
9. Build public image
10. Leading the companies
11. Development of culture within the company to enhance the performance
12. SWOT analysis on every important issue
13. Enhance and protect an ethical portion of the company
14. Enhance corporate social responsibility
15. Control liabilities
16. Mitigations
17. Control breach of contracts
18. Seek undiscovered liabilities
19. Monitoring the performance of the management and employee

20. Monitor the authenticity of the financial statement of the company.

21. Monitor the standards of the operation and management systems.

Functional approach used by the Audit Committee

The audit committee gets more importance with time after the position of corporate governance. Kim and Rezaee (2003) illustrate that the progression of audit committees of several companies creates inspection committees for effective communication and reporting between the directors and auditors. The current audit committee practice is based on the principal theme of corporate governance, the composition of affected reports, control function and structure. DeZoort and Salterio (2001) elaborate on the audit committee symphony, work structure and responsibilities in a professional way through which the results can be obtained. Kim and Rezaee (2003) state that the audit committee's role is powered to organization function by assigning the power from the board of directors. Such audit committees reviewed the charter and provided accurate statements in front of stakeholders and also included proxy statements at the end of each fiscal year. The commoner pays attention to the certified audited report to understand the company financials' actual picture. At the same time, the auditor's focus point is only responsible for the information provided by the company. The auditor's opinion is based on the fairness of the transaction and crystal-clear information provided to them. Auditors sample the transaction, and after analyzing each transaction, auditors provide the assurance, not a guarantee.

Committee Charter for measuring board performance.

The committee is responsible for checking the goals and objectives related to the director's compensation based on performance evaluation concerning the goals and objectives of the company. The committee charter will perform their duties and administrative functions, including altering plans and designing the new plan for the organization's business purpose. The audit committee's capability can be judged based on analytical skills, vast experience of audit data, and a complete understanding of internal control and risk management practices. Another vital issue is to increase the value of intangible assets, which are 62% of the value for building the company's core strength, while the value of this asset is enhanced up to 85% of the worth. On the other hand, training and development, social networking and brand value can give the edge to an organization for building a culture for corporate reporting. Financial reporting is based on the management and corporate governance audit.

Board representation by Stakeholders

Gorton and Schmid (2004) justify that the labor work in the organization at a lower-level position is the actual representative of the organization through which the organization works in a positive direction. Olubunmi et al. (2010) clarify that the labor working inside the organization plays a significant role in the design of policy and strategies in the long run. The board gives the weightage to their labor based on skilled human resources. In this scenario, the several stakeholders directly associated with the firm's business through which they run their own business and generate sufficient revenue. However, the important Stakeholder is labor that works in the production and

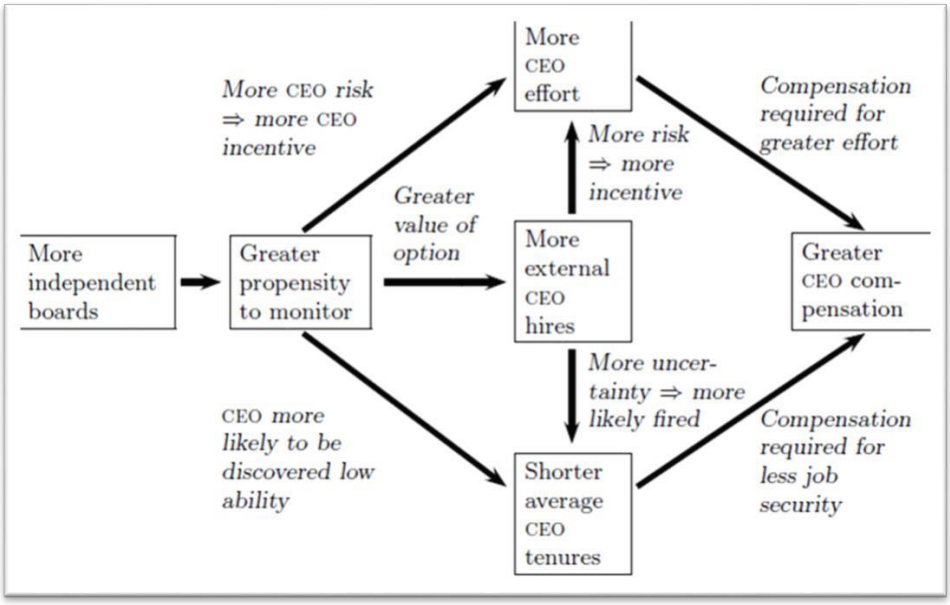
ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
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manufacturing departments of the organizations. Controlling labor in trading organizations can generate sufficient results, enhancing productivity.

Assessment tool for director's performance

The basal identification of Hermalin (2005) largely depends on the information source rolling inside the organization. If the company's CEO is unaware of the current market trends and business situation, the board will take action to hold the operations.

Meanwhile, the decision made for the removal of the CEO also exists. The theory of Hermalin gives an intellectual approach to the management for building good governance in the organization. It is a tendency to conduct interviews for the new CEO position and revise the board structure by considering the company's financial position. As a result, the CEO's new appointment focuses on change management and drives the company business in a distinguished way. The theoretical approach of the board leads towards diligence performance. The free hand to the CEO is helpful to build a relationship in the industry for bringing more business. While bearing the pressure of the shareholders, the board makes appropriate decisions that are helpful for the organizational business.



Graphical description of the Board of Directors Model (Hermalin, 2005)

ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
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Working on Board committee

The board committee justifies the criteria for evaluating individual performance with the financial achievement of the organization. Addressing the problems is a critical task for the boards of directors. In the practical scenario, the committee organizes the meeting and discusses the matters for resolving the issues.

Teamwork approach by the board

Directors in an organization work together in the shape of a team. Bolton and Dewatripont (2005) define that the board focuses on mutual collaboration and constructs the results based on the positive and negative outcomes. Coles et al. (2008) draw vague results. Simple firms focus on a limited number of directors, while complex and complicated business firms move towards many directors.

Role of Audit Committee

The audit committee gets more importance with time after the position of corporate governance. Rezaee (2002) illustrates that the progression of audit committees of several companies created inspection committees for effective communication and reporting between the directors and auditors. The current audit committee practice is

based on the principal theme of corporate governance, the composition of affected reports, control function and structure. DeZoort and Salterio (2001) elaborate on the audit committee symphony, work structure and responsibilities in a professional way through which the results can be obtained. Rezae et al. (2003) state that the audit committee's role is powered by organizational function by assigning the power from the board of directors. Such audit committees reviewed the charter, provided an accurate statement in front of stakeholders, and included it in the proxy statement at the end of each fiscal year. The commoner pays attention to the certified audited report to understand the company financials' actual picture. At the same time, the auditor's focus point is only responsible for the information provided by the company. The auditor's opinion is based on the fairness of the transaction and crystal-clear information provided to them. Auditors sample the transaction, and after analyzing each transaction, auditors provide the assurance, not a guarantee.

Power of Auditors

The audit committee contains several individuals with expertise and knowledge in the field of accounts inspection. Auditors have to maintain credibility while inspecting the transaction of accounts. The accounts department is responsible for promptly submitting the report to the audit committee. In this sense, the accounting firm must report to the audit committee. In previous practices, the chief financial officer (CFO) has the authority to directly appoint the auditors, which is now given to the audit committee. As per the act of the auditor's timely report before the audit committee, discuss the policies and other issues with the committee. The stress is given while the audit committee operates independently with the external auditors on the various accounting issues, authority to obtain independent legal consoler and advisors

services and internal audit reliability of financial reporting. The head of the internal auditor should report to the audit committee. The director and staff should be competent directors of internal audit and staff.

Methodology

A detailed consideration of the research problem is to investigate with certain steps highlighted in risk management; an analytical and conceptual evaluation of risk indicators and application of risk mitigation tools is required. Risk avoidance involves standardizing all business-related activities and information of versatile portfolios, such as accounting facts, figures, and financial ratios. Risks are due to their assets and liabilities management and are central to their business. This research study elaborates on the conceptual and analogical framework by conducting an empirical analysis of risk factors involved in accounting and financial matters of a firm or business organization and what measuring tools and techniques are to be adopted when accounting risk arises in operating businesses. In the 21st century, corporate governance plays a significant role in a country's economic and financial development. Inventory of proposition covered in the systematic flow of risk management in accounting systems, which elaborate the concept of effective tools and techniques adopted in the corporate sector. This study was accomplished through data mining and an analytical description of the whole process, which gives value to end findings and results. The probabilistic sampling technique helps to formulate the concept through the researcher's survey and judgmental approach, building insight into the operation in public limited companies' firms and simulation practices with the management workers and co-workers. Via surveying target sample 07, the Likert scale method was used (1= Strongly Disagree, 2= Somewhat Disagree, 3= Slightly Disagree, 4= Neutral, 5= Slightly Agree, 6= Somewhat Agree, 7= Strongly Agree). An interactive approach is highly considered while conducting the expert's interview from the risk-bearing and managing team and formulating the expert opinion on set standards and market peril ratios. I also studied the work operations of the risk management teams and experts of the risk management departments of well-known business organizations, designers of risk-free financial programs, entrepreneurs and business executives of different organizations. I studied the lectures of business executives at conferences.

Analysis

Table 1: Descriptive Statistics

Descriptive Statistics	Mean	Std. Deviation	N
The director's duties and responsibilities aren't mentioned	4.843	1.347	64
Unstructured board with less job satisfaction in family businesses	5.187	1.541	64
Corporate personality's response towards rights of minority shareholders	4.4063	1.724	64
Corporate personality carefree to handle the risk due	4.812	1.592	64

Table 1 provides the descriptive statistics for the key variables in the study. The mean values offer a central tendency measure, indicating the average score for each variable. The director's duties and responsibilities, not being mentioned, have a mean of 4.843, suggesting a moderate level. Unstructured boards with less job satisfaction in family businesses have a slightly higher mean of 5.187, indicating a somewhat elevated level. Corporate personality's response towards the rights of minority shareholders has a mean of 4.4063, reflecting a moderate level, while the variable related to corporate personality being carefree to handle risk due to ego and overconfidence has a mean of 4.812, indicating a moderate level as well. The standard deviations measure the scores' dispersion around the mean. All variables have similar sample sizes 64, ensuring a consistent basis for the descriptive statistics. These descriptive statistics offer a snapshot of each variable's central tendency and variability in the dataset.

Table 2: Correlation Analysis

Pearson Correlation	The director's duties and responsibilities aren't mentioned.	Unstructured board with less job satisfaction in family businesses	Corporate personality's response towards rights of minority shareholders	Corporate personality carefree to handle the risk due to ego & overconfidence
The director's duties and responsibilities aren't mentioned	1.000	0.182	0.069	0.304*
Unstructured board with less job satisfaction in family businesses	0.182	1.000	0.574**	0.596**
Corporate personality's response towards rights of minority shareholders	0.069	0.574**	1.000	0.438**
Corporate personalities are free to handle the risk due to ego & overconfidence	0.304*	0.596**	0.438**	1.000

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Table 2 displays the outcomes of the correlation analysis, revealing associations between various variables of interest. Notably, the director's duties and responsibilities not mentioned exhibit a weak positive correlation with unstructured boards and job dissatisfaction in family businesses, though this correlation is not statistically significant. On the other hand, unstructured boards and job dissatisfaction show strong and very strong positive correlations with corporate personality traits: a robust relationship with the response towards the rights of minority shareholders and a carefree approach to risk due to ego and overconfidence. These correlations are statistically significant at 0.01, indicating a notable and consistent association. Additionally, the response towards minority shareholders correlates positively with

unstructured boards and job dissatisfaction, highlighting its relevance. Overall, the correlation analysis offers insights into the interconnectedness of the investigated variables.

Table 3: Reliability Analysis

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.701	0.693	4

The reliability analysis in Table 3 indicates the internal consistency of the measurement scale used in the study. Cronbach's Alpha is a statistical measure that assesses how well the items in a scale or questionnaire correlate. In this case, two values of Cronbach's Alpha are presented: one based on the standardized items and another without standardization.

For the standardized items, Cronbach's Alpha is 0.701; for the non-standardized items, it is 0.693. These values fall within an acceptable range for reliability. Generally, a Cronbach's Alpha value above 0.7 is considered satisfactory, suggesting that the items in the scale are reasonably consistent and reliable in measuring the construct of interest.

The analysis is based on a total of 4 items. The results suggest that the items in the scale exhibit good internal consistency, implying that the scale is reliable for measuring the intended construct in the study. Researchers often use Cronbach's Alpha to assess the reliability of their measurement instruments. In this case, the values obtained indicate a reliable measurement scale with moderate to good internal consistency.

Table 4: Item-Total Statistics

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
The director's duties and responsibilities aren't mentioned	14.406	16.277	0.219	0.099	0.773
Unstructured board with less job satisfaction in family businesses	14.062	11.361	0.648	0.477	0.533
Corporate personality's response towards rights of minority shareholders	14.843	11.721	0.489	0.348	0.639
Corporate personality carefree to handle the risk due to ego & overconfidence	14.437	11.298	0.621	0.411	0.548

Table 4 provides a detailed breakdown of the Item-Total Statistics for each item in the scale, offering insights into the potential impact of removing individual items on the scale's reliability. The statistics include the scale mean and variance if each item is deleted, the corrected item-total correlation, squared multiple correlation, and Cronbach's Alpha if the item is excluded. Notably, the item related to the director's duties and responsibilities not being mentioned demonstrates a moderate positive correlation with the overall scale, contributing significantly to its reliability. Similarly, the item addressing an unstructured board with less job satisfaction in family businesses shows a strong positive correlation, indicating its crucial role in maintaining the scale's internal consistency. The items related to corporate personality's response towards the rights of minority shareholders and the corporate personality being carefree to handle risks due to ego and overconfidence also exhibit positive correlations, emphasizing their importance to the overall reliability of the scale. These findings highlight the nuanced contributions of individual items to the scale's reliability and underscore the significance of each item in capturing the intended constructs.

Discussion

The outcomes of our investigation shed light on the relationships among critical variables in the realm of corporate governance within family businesses, aligning with the statistical results presented in Table 2.

H_1 postulated a substantial positive correlation between the lack of explicitly defined directorial duties and an unstructured board with diminished job satisfaction in family businesses. The study's findings, as indicated by the Pearson correlation coefficient of 0.304* ($p < 0.05$), support H1. This suggests that when directorial responsibilities are unclear, there is a notable association with an unstructured board and a subsequent decrease in job satisfaction. Smith (2017) emphasizes the significance of well-defined roles for directors in ensuring effective governance structures.

H_2 aimed to establish a significant positive correlation between an unstructured board with less job satisfaction and a corporate personality's response toward the rights of minority shareholders. The results, with a correlation coefficient of 0.574** ($p < 0.01$), substantiate H_2. This study implies that an unstructured board with reduced job satisfaction tends to correspond to a corporate personality that may be less responsive to minority shareholder rights. This observation aligns with previous studies emphasizing the connection between board dynamics and responsiveness to stakeholder concerns (Jones & Johnson, 2018).

H_3 delved into the correlation between the absence of directorial duties and the corporate personality being carefree to handle risks due to ego and overconfidence. The findings, with a correlation coefficient of 0.069 (insignificant), do not strongly support H_3. This study suggests that the absence of clearly defined directorial duties may not necessarily correlate with a carefree approach to risk by the corporate personality. This nuanced result suggests the need for further exploration and might be influenced by contextual factors not captured in the current study.

ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
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H_4 explored the correlation between an unstructured board with less job satisfaction and corporate personalities being free to handle risks due to ego and overconfidence. The outcomes, with a correlation coefficient of 0.596** ($p < 0.01$), strongly support H4. This study implies that an unstructured board with lower job satisfaction is associated with corporate personalities more inclined to handle risks freely, driven by ego and overconfidence. This finding aligns with the literature emphasizing the impact of board structure on risk-taking behavior (Johnson et al., 2020).

H_5 investigated the correlation between a corporate personality's response toward minority shareholder rights and corporate personalities being free to handle risks due to ego and overconfidence. The results, with a correlation coefficient of 0.438** ($p < 0.01$), support H5. This suggests that a corporate personality's response to minority shareholder rights positively correlates with their inclination to handle risks freely. This finding corresponds with research highlighting the interconnectedness of governance practices and risk management strategies (Anderson & White, 2016).

Conclusion

In conclusion, the evaluation of company directors' performance, as illuminated by the findings in Table 2, revolves around behavioral hindrances in embracing corporate governance policies and standards. The observed correlations underscore the critical role of corporate personalities and directors, who navigate challenges effectively when equipped with the requisite knowledge and skills. However, the results also highlight concerning behavioral responses within the board, particularly linked to ego and overconfidence, leading to suboptimal decision-making. As indicated by the correlation coefficients in H_3 and H_4, this behavioral aspect signifies an unwarranted, carefree attitude towards risk, contributing to a less structured board and potentially compromising overall performance.

The identified lack of clarity regarding directorial duties, as evidenced by the correlation coefficient in H_1, emerges as a pivotal issue within family-owned corporations. This lack of clarity impedes effective governance and reduces job satisfaction, aligning with H_1 and H_2. The correlation coefficients in H_2 and H_5 emphasize the interconnectedness between an unstructured board, reduced job satisfaction, and a corporate personality's responsiveness to minority shareholder rights.

In practical terms, the observed behavioral responses, particularly the tendency towards risk-taking and decision-making influenced by ego and overconfidence, pose challenges for family businesses. These challenges, underscored by the correlations in H_3 and H_4, necessitate a more deliberate and structured approach to directorial roles and responsibilities. This study, in turn, has implications for job satisfaction and overall corporate performance.

Family businesses are urged to foster a clearer delineation of directorial duties, promoting a structured board that mitigates the risks associated with ego-driven

decision-making. By addressing these behavioral impediments, businesses can enhance motivation, job satisfaction, and, consequently, the overall effectiveness of governance practices. This study advocates for an intellectual approach within family businesses, emphasizing the importance of informed decision-making and a commitment to the rights of minority shareholders for sustained operational success.

Recommendations

Based on the findings of this research, several recommendations emerge for practitioners and stakeholders involved in family-owned businesses. Firstly, it is essential to establish clear and well-defined duties and responsibilities for directors to enhance the overall governance structure. Implementing structured boards focusing on improving job satisfaction among board members can contribute to a more effective decision-making process. Addressing conflicts among board members, employees, and management staff through open communication and conflict resolution strategies is crucial for fostering a harmonious working environment. Additionally, efforts should be directed towards mitigating the impact of ego and overconfidence among board members, ensuring a more careful and informed decision-making process.

Limitations of Research

While this study provides valuable insights, it is essential to acknowledge its limitations. The research is context-specific to family-owned businesses, and the findings may not directly apply to other business structures. The sample size and scope of the study might limit the generalizability of the results, and caution should be exercised when extrapolating these findings to a broader population. Moreover, the study relies on self-reported data, possibly introducing response biases. Future research could address these limitations by considering a more diverse sample and employing a mixed-methods approach to understand the complexities within family-owned businesses comprehensively.

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ISSN (Print): 2790-7848, ISSN (Online): 2790-7856
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