Multiple Directorships, Family Ownership and the Board Nominiation Committee: International Evidence from the GCC*

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Abstract
In this paper, we investigate the association between outside board directorships and family ownership concentration. Using a sample of 1091 firm-year observations of non-financial publicly listed firms from Gulf Cooperation Countries (GCC) during the 2005 to 2013 period, we find a positive association between family ownership and the number of outside directorships held by board members. This finding is consistent with the notion that family ownership reduces a board's monitoring capabilities. We also test whether the recent corporate governance reforms in GCC, which were designed to protect investors and minority shareholders, affect firms' incentives to establish a board nomination committee (NC). We find the existence of a board NC and the quality and characteristics of NC membership act to suppress the positive association between outside directorships and family ownership. Our results are robust to the use of alternative measures of outside directorships and family ownership and models that test for endogeneity. Overall, our results suggest that the institutional specificities of emerging economies such as those in the GCC can sustain high levels of multiple directorships, which could impair the quality of corporate governance.

1. INTRODUCTION

Previous studies have shown that firms with board members who hold multiple outside directorships are underperformers (Core, Holthausen and Larcker 1999; Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006; TNI 2008; Falato, Kadyrzhanova and Lel 2014). Research shows that outside directorships may reduce firm value (Ferris, Jagannathan and Pritchard 2003; Jiraporn, Kim and Davidson 2008), weaken a board's monitoring ability (Fich and Shivdasani 2006), diminish its advisory capacity (Jiraporn, Singh and Lee 2009), reduce the effectiveness of outside directors as corporate monitors (Core, Holthausen and Larcker 1999; Shivdasani and Yermack 1999), and influence firms' financing choices and ability (Gilson 1990). Multiple outside directorships can thus reduce investor confidence (Fich and Shivdasani 2006), diminish creditor trust (Cooper and Uzun 2012), result in the transfer of wealth from minority to majority shareholders (Leuz, Nanda and Wysocki 2003), minimize the board's ability to alleviate information asymmetry issues (Armstrong, Guay and Weber 2010), and possibly lead to an increase in agency costs (Shivdasani and Yermack 1999; Core, Holthausen and Larcker 1999; Jensen and Meckling 1976). Prior research (e.g., Mike Burkart,

Panunzi and Shleifer 2003) has also suggested that multiple outside directorships may affect the efficiency and effectiveness of board functioning in general and the role of various board committees in particular.

Due to these concerns, governance agencies in the Gulf Cooperation Council (GCC) have initiated several reviews of the risks associated with multiple outside board directorships (Council for Institutional Investors [CII] 1998; National Association of Corporate Directors [NACD] 1996, and The National Investor [TNI] 2008).[1] The objective of this study is to investigate the association between multiple outside board directorships and family ownership concentration in listed non-financial GCC firms.[2] We further assess whether the existence and quality of a nomination committee (NC) suppresses the capacity of boards with family members to appoint other members with multiple outside directorships.

The economic, institutional, and socio-political environment of the GCC region makes it an interesting setting in which to examine the corporate role of NCs and their effect on the development of a board structure that is in a firm's best interests. First, the recent literature (e.g., Sirmon et al. 2008) suggests that the family and/or founding owners of GCC firms use their influence to enhance their voting power and to intervene in boards' selection of managers and directors, thus controlling the firms' decision-making processes.[3] Studies (Maury 2006; Ali, Chen and Radhakrishnan 2007; Leung, Richardson and Jaggi 2014) also provide evidence

[1] For instance, with regard to corporate governance, a guideline issued by the Council for Institutional Investors (CII 1998) recommends that a director should not serve on more than two other boards. The National Association of Corporate Directors (NACD 1996) is more flexible, indicating that a director who is the board member of a firm should not have directorship seats and serve on more than three boards. Corporate governance in KSA requires a single director should not have a seat in more than five outside directorships, and in Bahrain a single director should not have more than three outside directorships. In addition, the Institute for Corporate Governance (Hawkamah 2008) notes that directors with multiple outside directorships face difficulties in devoting enough time to all of the firms they serve.

[2] Six oil-rich countries, the Kingdom of Saudi Arabia (KSA), the United Arab Emirates (UAE), Oman, Qatar, Bahrain, and Kuwait, formed the GCC on May 25, 1981 with the aim of strengthening the socioeconomic and political development of the member states. The political regimes in the GCC are all considered monarchy family systems.

[3] For example, Villalonga and Amit (2006) find that family firms are more likely to be headed by individuals who hold both the CEO and chair positions.

that family and/or founder ownership results in Type II agency problems, whereby wealth is transferred from minority to family shareholders. Some 60% of the equity markets in the GCC are controlled by family firms (TNI 2008). Hence, the concentration of family ownership is much higher in the GCC than in most developed countries, where firms are owned by a diverse group of investors (Musa 2002). The implication is that GCC firms may face pronounced conflicts between minority and majority shareholders. In addition, professional surveys (e.g., TNI 2008) indicate that multiple directorships are a common phenomenon in GCC listed companies, which prior research suggests may undermine and weaken board efficiency (Core, Holthausen and Larcker 1999; Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006). Hence, it is not unreasonable to assert that boards with high levels of family ownership will select busier directors, i.e., those with multiple external directorships, to assist with monitoring. If this is the case, then we can expect family ownership to be associated with boards comprised of members with multiple outside directorships.

The GCC model of corporate governance has been influenced by the Anglo-American model, generally referred to as the "market model," which focuses on maximizing shareholder wealth. The market model is a one-tier system in which a shareholder-elected board of directors is the highest governing body, and individual shareholders do not directly affect the direction of the firm (Keasey and Wright 1993). Consequently, the role of independent outside directors and ownership structure, among other factors, are important elements in monitoring managerial performance.[4] In the market model, individual shareholders cannot directly influence the direction of the firm, which may give family owners the upper hand in controlling the firm's affairs. Family owners holding a majority of voting shares are likely to have personal interests

[4] In contrast, the developing markets of Turkey and Korea, among others, have been described as more akin to the German-Japanese model of corporate governance (Robertson 2009), which serves the interests of a wider range of stakeholders, including shareholders, employees, and creditors. The German-Japanese model is a two-tier system in which a board of supervisors represents the interests of stakeholders and appoints a management board charged with conducting the day-to-day operations of the firm. As overlapping board responsibilities are permitted, members of the board of supervisors must be independent of management.

and to use their power to take private advantage by appropriating resources, thereby expropriating the rights of minority shareholders (Villalonga and Amit 2006). In the GCC region, individual shareholder power is diluted, and family power is strong (TNI 2008). According to a 2008 TNI report, 25-75% of GCC firms have at least two board members from the same family; in some firms, families account for 100% of the board constituents. The adoption of the market model in the GCC, where family ownership concentration and board control are both prominent, can exacerbate agency-related problems. In addition, the differences between the GCC model of governance and those of other developed and developing markets suggest the possibility that corporate governance characteristics may not have the same level of influence on the association between multiple directorship and family ownership concentration as documented in studies conducted in other contexts.

Second, corporate governance practices and codes in the GCC are distinct, due to the complexities of the institutional and cultural settings that distinguish its member states from other developed and well-established emerging economies (Bley and Chen 2006; Baydoun et al. 2012; Mazaheri 2013). For example, compliance with corporate governance codes is not mandatory in most GCC countries. In particular, these codes are silent on the issue of multiple directorships, and the number of outside directorships permitted is not clearly delineated. In the KSA and Bahrain, the number of outside board seats allowed is five and three, respectively, but no number is specified in the corporate governance codes of the other GCC countries. The leniency or silence in some of the GCC codes concerning multiple outside directorships may afford family-controlled firms more room to extract benefits from minority shareholders.

Third, emerging economies, such as those in the GCC, provide a particularly appropriate laboratory for studying the issue of multiple directorships. Developed economies such as those in the US and the UK have institutional investor organizations with a relatively long history of actively seeking to limit the number of multiple directorships, and firms may

be compelled to hire directors in accordance with recommended standards (Sarkar and Sarkar 2009). In addition, directors themselves may share the view that taking up multiple directorships is not feasible, and consequently they voluntarily seek to limit the number of board positions they accept (Korn-Ferry International 1998). In such a situation, the frequency of multiple directorships is likely to be endogenously and nearly optimally determined, meaning that cross-sectional data may exhibit little variation within or across firm boards (Demsetz and Lehn 1985), which in turn makes it difficult to empirically identify the relationship between director busyness and family ownership concentration.

Fourth, the effect of family ownership concentration in public firms is a growing field of interest in the finance and accounting literature. Because such concentration can have important implications, empirical evidence is of paramount importance for judging its final effect and for orienting regulation. To date, empirical studies of family ownership concentration have focused on the US, starting with Shleifer and Vishny (1986). More recently, Anderson and Reeb (2003) show that family ownership concentration is an effective organizational structure in the US, whereas Fich and Shivdasani (2006) find multiple directorships to adversely affect firm performance, as manifested in a positive market reaction following the departure of a busy director. There is a dearth of research on the effect of family ownership concentration in public firms outside the US (Gomez-Mejia, Makri and Kintana 2010). Daily, Dalton, and Rajagopalan (2003: 155) state that "agency effects may function differently in this context and ... prior findings from non-family samples may not readily generalize into this setting." There is certainly little comprehensive evidence on this important issue in the GCC context. To the best of our knowledge, this study is the first to examine the association between multiple outside directorship and family ownership concentration, and to assess whether the formation of separate NCs affects the relationship between family ownership and the appointment of busy directors in the GCC.

Fifth, there is an increasing drive toward improving corporate governance regimes across the GCC in line with the region's rapid economic growth and the growing demand from regulators and international institutional investors for greater transparency and accountability. Evidence of governance reforms across the GCC comes from the burgeoning number of conferences and surveys on corporate governance and board of director quality in the region,[5] as well as the number of codes and guidelines being issued and corporate governance taskforces being formed in select GCC countries. In recent years, the GCC region has also seen a marked increase in foreign direct investment (Bley and Chen 2006). Further, there has been a general move toward opening the doors to international investment, with many new initiatives appearing in the wake of the global financial crisis (Bley and Saad 2011).

Finally, the GCC has strengthened its regulatory and financial institutions and adopted more reforms of the business environment. For instance, in 2013, the World Bank declared the KSA to be the region's highest-ranking economy in terms of the "overall ease of doing business," placing it globally in the 22nd spot among 185 countries (Mazaheri 2013). The region's political setting (family monarchical system) provides us with a very interesting setting in which to investigate the association between family ownership and board monitoring, as that political setting is considered to be one of the main reasons for GCC countries' initiation of business environment reforms. As (Mazaheri 2013, p. 296) writes, "monarchies are better able to solve the credible commitment problem between the government and existing private sector elites than non-monarchical, authoritarian states."

To sum up, the institutional aspects of corporate governance in the GCC present a new and interesting context for the study of the association between multiple directorships and concentrated family ownership. In addition, GCC markets have become increasingly important to investors seeking higher returns and better opportunities and for countries seeking

[5] See Hawkamah website [Link: http://www.hawkamah.org/]

investment projects, creating a greater demand for directors with high-quality monitoring and advising attributes (Baydoun et al. 2012).

This study contributes to the literature in several significant ways. First, it adds to the governance literature by investigating the influence of family ownership control on Type II agency and institution-based theories. Prior research (e.g., Ali, Chen and Radhakrishnan 2007; Leung, Richardson and Jaggi 2014; Maury 2006; Villalonga and Amit 2006) has focused on Type I agency (Peng et al. 2009; Peng and Jiang 2010). The common attributes of the monarchical political regimes in the GCC, such as *kinship* relations, interact with financing objectives by facilitating business transactions. *Favoritism* is a preferred practice in hiring, promoting, and transferring assets (Mazaheri 2013), and *intermarriages* often occur between established business families and elites. These factors suggest that the GCC business environment is family-dominated. Institutional theory argues that if both formal and informal institutions are used to govern firm behavior, then in situations in which formal constraints are unclear or ineffective, informal constraints will play a larger role in reducing uncertainty, providing guidance, and conferring legitimacy and rewards on managers and firms (Peng et al. 2009). To the best of our knowledge, this is the first attempt to use institutional theory to explain the association between family ownership and director busyness.

Second, we examine the association between family ownership or control and the existence of directors who hold multiple outside directorships (see e.g., Ferris, Jagannathan and Pritchard 2003; Perry and Peyer 2005; Fich and Shivdasani 2006; Hunton and Rose 2008; Jiraporn, Kim and Davidson 2008; Jiraporn et al. 2009; Jiraporn, Singh and Lee 2009; Field, Lowry and Mkrtchyan 2013). We provide new empirical evidence to show that family-controlled firms in the GCC have a greater number of busy directors on their boards.

Third, we investigate the effect of an NC on reducing the influence of family control over the appointment of board members with outside directorships, which may in turn mitigate

agency conflicts between majority and minority shareholders in family-run public businesses. This component of the study is of particular importance given the development of governance regimes in family-dominated businesses in emerging economies such as those in the GCC. Prior studies find mixed evidence regarding the association between outside directorships and the committee membership of board members. For example, (Ferris, Jagannathan and Pritchard 2003; Jiraporn, Singh and Lee 2009) find that directors with multiple directorships are less likely to be members of board committees such as audit committees (ACs). In contrast, Faleye, Hoitash, and Hoitash (2011) find that internal committees' assignment and memberships are compromised on behalf of a monitoring committee (e.g., an AC and compensation committee [CC]) when firms have boards with members who have more outside directorships. We argue that the existence of an NC is likely to have a direct influence on the selection of board members and that factors other than multiple directorships may also be included in the selection process. Our results confirm this argument: the existence of an NC suppresses the degree of family control over increasing the number of multiple directorships among board members. Finally, the results of this study have important implications for regulators, investors, and policymakers, particularly with regard to the protection of minority shareholders.

First, we find that family ownership is significantly associated with multiple outside directorships among board members, which supports our hypothesis that family owners sustain control by employing busier or less experienced directors on firm boards. Second, our results show that the interaction between the presence of an NC and family ownership is negatively and significantly associated with multiple directorships. Third, NC quality, as measured by the proportion of independent directors on the NC, and component factor analysis are found to have the same effect on multiple directorships. An intriguing result is that the existence and quality of a specialized board committee such as an NC appears to improve board effectiveness. Our results are robust to the use of multiple variable specifications and various endogeneity

tests, suggesting that they could be of use to regulators and stock market authorities seeking to understand the effects of multiple directorships of GCC firm board members.

The remainder of this paper proceeds as follows. Section 2 reviews the GCC political and economic environment and Section 3 develops the theory and hypotheses guiding the study. Section 4 describes the research design, specific data sources, and sample selection used in the study and provides summary statistics. Section 5 documents the empirical results, Section 6 discusses robustness tests, and Section 7 concludes the paper.

2. BACKGROUND: FAMILY OWNERSHIP AND CORPORATE GOVERNANCE IN THE GCC REGION

The emerging economies of the GCC collectively constitute a rapidly growing group of developing countries that derive a considerable amount of their income from oil exports (Al-Malkawi, Pillai and Bhatti 2014; Al-Shammari, Brown and Tarca 2008) and that have rapidly expanding equity markets. Economic development in the GCC has been accompanied by an increase in the number of listed firms, which grew from 473 in 2005 to 705 in 2013.[6] GCC stock markets have recently attracted international investors in line with significant changes in member states' economic and financial environment. The liberalization of GCC capital markets has taken place through several reforms in regulation and governance.[7]

2.1 Family Ownership

Previous studies have examined how the ownership structure of firms affects corporate board monitoring and effectiveness (Mak and Li 2001; Fama and Jensen 1983), documenting that family control introduces agency problems for minority shareholders and rent-seeking activities. For instance, Villalonga and Amit (2006) argue that agency conflicts are costlier for

[6] See the Gulfbase website at http://www.gulfbase.com/

[7] These reforms are "low interest rates, minimum translation of costs and uncertainty about capital repatriation, and new laws and governance to protect property rights, reduce corruption and ease ownership restrictions" (Al-Hadi, Hasan and Habib 2015, p. 67).

firms that are owned or controlled by family groups. Andres, Bongard, and Lehmann (2013) demonstrate that firm value decreases when family groups impose control over management and directors. In addition, Shleifer and Vishny (1997), Anderson and Reeb (2003), and Maury (2006) reveal that in countries in which shareholder protection and transparency are weak, the potential for expropriation by family controllers may erode value for minority shareholders. Different shareholder groups typically have substantial equity ownership in companies listed on the GCC stock exchanges (Al-Shammari, Brown and Tarca 2008). These groups include governments and their agencies, dominant families, institutional investors, and minority shareholders. The GCC's business environment is considered to be family-dominated, and family-controlled firms are represented by a small number of family investors (Al-Yahyaee, Pham and Walter 2011). Some 60% of GCC firm equity is owned by just 20[8] large family groups (TNI 2008; Hawkamah 2013). The degree of family ownership concentration is much higher in GCC firms than in their counterparts in the US and in other developed and developing countries. In fact, most businesses in the GCC have few controlling shareholders, and family ownership is predominant (Saidi 2004). The diverse shareholder ownership that is common in Western countries, and the resulting separation of ownership and control that highlights the stewardship and monitoring aspects of non-executive directors' functions, is limited in the GCC. The GCC family ownership concentration ratio by country is high, and is maintained by such practices as making rights issues to existing shareholders and inviting wealthy, influential families to subscribe to shares in IPOs (Musa 2002). Yasin, Shehab, and Saidi (2004) suggest that the high degree of concentrated family ownership in the GCC undermines the principles of good corporate governance.

[8] As the degree of ownership/powerful concentration in the hands of a few families is very high in GCC equity markets, TNI (2008) aggregates the top ten families in each market and each country. The survey lists these powerful families as a collection of individuals from the same country with the same surname (family name). See Appendix 2 for detailed information.

Family groups launched businesses in the GCC at an early stage of national development, and have managed to maintain ownership over several generations (Anderson and Reeb 2004). Members of these controlling families routinely occupy the highest position in the firm (e.g., chairperson or CEO), and have incentives to appoint other family members to firm boards and management teams (Hawkamah 2013; Jaggi, Leung and Gul 2009). Therefore, the family-controlled publically listed firms in GCC economies are subject to severe Type II agency conflicts between minority and majority shareholders and pronounced rent-seeking problems, which together work to diminish the effects of corporate governance practices (Ali, Chen and Radhakrishnan 2007).

2.2 Corporate Governance

The organizational and legal structures that shape policies and governance practices in developed economies may not necessarily be applicable to emerging markets such as those of the GCC (Fan, Wei and Xu 2011). Corporate governance practices and codes in the GCC are distinct due to the complexities of their institutional and cultural settings, which differ from those of developed and well-established emerging economies (Bley and Chen 2006; Baydoun et al. 2012; Mazaheri 2013). Although compliance with corporate governance codes is not mandatory in some GCC countries (e.g., Bahrain, Qatar, and Kuwait; see Appendix 1), many firms in the GCC have implemented corporate governance practices (Hawkamah 2010; OECD 2011; Al-Malkawi, Pillai and Bhatti 2014; Al-Hadi, Hasan and Habib 2015). Several professional surveys carried out in the GCC suggest that corporate governance is one of the primary concerns in the GCC business environment. A number of institutions and regulatory bodies have established guidelines on how the region's public and private firms can implement corporate governance practices (Al-Malkawi, Pillai and Bhatti 2014; Dalwai, Basiruddin and Abdul Rasid 2015) for several reasons. First, the collapse of many firms in the region (e.g., the Al Gosaibi-Saad Group) as a result of their inability to fulfill their obligations to financial

institutions during the global financial crisis prompted banks to require better corporate governance practices and greater disclosure and transparency;[9] this has led to the adoption of such practices by an increasing number of GCC firms. Second, as the GCC region has become the financial and commercial hub of the Middle East (Baydoun et al. 2012), the regulatory bodies and legal environments in GCC economies are playing a vital role in the establishment and implementation of governance reforms. Third, both regulators and investors are aware that corporate governance provides several benefits to firms such as achieving high levels of market confidence, the protection of both foreign and minority shareholders, economic diversification, and investment opportunities (Fasano and Iqbal 2003; Mina 2007; Callen et al. 2014).

Recent amendments[10] to GCC governance codes such as those concerning board composition and committee formation, specialized NCs in particular, have been adopted by most of the GCC. For instance, the governance codes of Kuwait, the KSA and the UAE now mandate the formation of an NC, although NC composition varies depending on country-specific regulations. Oman's corporate governance code does not mandate NC formation, but the number of Omani firms establishing one gradually increased between 2005 and 2013 (see Table 5A). The corporate governance code in the KSA allows firms to form a combined NC and CC, whereas those in Qatar, Bahrain, and Kuwait require firms to form a separate NC (these codes are called *comply or explain* codes).[11] In this study, we investigate one important aspect of the recent corporate governance reforms in the GCC, namely, the adoption of NCs.[12]

3. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.1 Multiple Directorships

[9] See Al-Hadi, Hasan, and Habib (2015) on bank regulations in GCC countries.
[10] Corporate governance rules were amended in GCC countries as follows: in the UAE in April 2010, Oman in March 2015, Kuwait in September 2013, and the KSA on January 5, 2009.
[11] See Appendix 1.
[12] According to Uzun, Szewczyk, and Varma (2004) and Ruigrok et al. (2006), NCs are established for the purpose of identifying and selecting board members to improve board effectiveness, evaluate directors' qualifications, and manage board composition to ensure its independence as a long-term function.

Multiple directorships (a proxy for board busyness) refer to the number of outside directorships (i.e., three, four, or five) held by the board members of a focal firm (Fich and Shivdasani 2006; Jiraporn et al. 2009).[13] Prior research shows that outside directorships can be valuable to a firm. For instance, Fama and Jensen (1983) argue that firms are motivated to appoint outside directors to improve the reputation and monitoring capabilities of their directors. Empirical studies have also shown that these attributes are valued differently depending on a firm's operation cycle. For example, Field, Lowry, and Mkrtchyan (2013) suggest that during IPOs, firms that lack public market experience are most likely to depend on expert directors who have multiple outside directorships; these directors may prove essential to the firms' ability to compete and use resources effectively. Furthermore, prior studies (e.g., Gilson 1990; Wilson, Wright and Scholes 2013) find that firms with multiple outside directorships are able to obtain financing more readily during periods of financial distress through their business and relation ties.

Conversely, there is also research suggesting that appointing busy directors to a board can undermine or at least weaken board efficiency (Core, Holthausen and Larcker 1999; Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006). Ferris, Jagannathan, and Pritchard (2003) find that reputable directors are unlikely to take directorships in poorer performing firms. Jiraporn, Kim, and Davidson (2008) investigate the relation between multiple directorships and firm diversification, and find that firms with more outside board directorships engage in more diversification, which may diminish firm value. Ferris, Jagannathan, and Pritchard (2003) and Fich and Shivdasani (2006) contend that directors are overcommitted when they hold several directorships, thus weakening firm performance. Furthermore, Hunton and Rose (2008) investigate busy directors' responses to auditor recommendations, and find

[13] We use "busyness" and "multiple directorships" interchangeably in this paper.

that relative to directors who hold a single directorship, directors with multiple outside directorships have less incentive to accept an auditor's restatement recommendations.

Several studies also address the association between multiple outside directorships and CEO compensation and firm performance. Core, Holthausen, and Larcker (1999) show that multiple outside directorships are likely to weaken board monitoring and create avenues for CEOs to benefit from excessive rewards, resulting in poor firm performance. We argue that family owners have an incentive to rely on directors with multiple directorships to reduce the risk of their control being diminished.

The restrictions on multiple outside directorships in GCC corporate governance codes are not clearly delineated. For example, in the KSA and Bahrain, the numbers of outside board seats allowed are five and three, respectively, but the number is not specified in the codes of the other countries (TNI 2008). This silence in many GCC corporate governance codes may give family owners more power to extract benefits from minority shareholders, which is consistent with our main hypothesis. In addition, the differences in GCC codes regarding multiple directorships facilitate our ability to examine whether countries that regulate the number of outside board seats have better governance than those that do not.

3.2 Hypotheses Development

3.2.1 Association between Family Ownership and Multiple Directorships

Multiple directorships have received considerable attention in the literature and in governance surveys because of the fragmented nature of the monitoring and disciplining role that may occur if board members take on too many directorships (Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006). Busy directors have more incentive to shirk their core responsibilities, which may include attending and contributing fully to the committees to which they have been appointed members (e.g., Jiraporn, Singh and Lee 2009), and they have less incentive or time to attend board meetings (Jiraporn et al. 2009).

In this study, two theories are applied to investigate the association between family ownership and control and the existence of multiple outside directorships: Type II agency theory and institutional theory. Several studies suggest that Type II agency theory is useful for explaining governance in family-owned and family-controlled firms (e.g., Ali, Chen and Radhakrishnan 2007; Maury 2006; Leung, Richardson and Jaggi 2014). This theory suggests that controlling shareholders engage in activities designed to serve their own interests and, if families, to maximize family wealth (Fan and Wong 2002). Such activities may include increasing their ownership stake (Maury 2006), strengthening their voting power (Villalonga and Amit (2006), reducing corporate governance disclosures (Ali, Chen and Radhakrishnan 2007), and decreasing firm diversification to enjoy personal control and to exercise their authority (Gomez-Mejia, Makri and Kintana 2010), thereby maintaining control over minority shareholders.[14]

Previous studies also find that family control reduces board monitoring. Anderson and Reeb (2004) find that family owners weaken board monitoring by reducing the number of independent directors (Jaggi and Leung 2007) and that family directors reduce the number of board meetings. Additionally, (Villalonga and Amit 2006) report that family-owned or controlled firms usually combine the CEO and chair positions.

Family shareholders are likely to appoint directors who will not act against their wishes (Jaggi, Leung and Gul 2009). Prior studies show that busy directors attend fewer meetings, fail to ask hard questions, and place less importance on and dedicate less effort to monitoring activities (Walsh and Seward 1990). In contrast, less busy directors may protect minority shareholders by contributing more time and effort to monitoring the board (Leung, Richardson

[14] Researchers also find that family firms are more likely to control executive positions by exercising managerial control (Claessens, Djankov and Lang 2000; Andres 2008).

and Jaggi 2014), a view supported by Lane et al. (2006), who find that busy directors are more faithful to controlling family owners.

Given the social power and control of family-controlled or family-owned firms in the GCC, family owners are likely to preserve control and maximize family/personal wealth (agency type II), which suggests that we should expect family-controlled groups to appoint directors with insufficient time, experience, and spare effort to question board-directed strategies and plans (Villalonga and Amit 2006; Jiraporn, Kim and Davidson 2008; Jiraporn, Singh and Lee 2009).

In addition to agency theory, the power and control of family-controlled and family-owned firms may be viewed from the perspective of institutional theory (Peng et al. 2009), which suggests that when formal constraints (laws, rules, and regulations) are unclear or fail, informal constraints (culture, norms, and values) take over that role by providing guidance and reducing uncertainty. Thus, control by family-owned firms may substitute for regulations and governance systems in the GCC. The management literature (Peng et al. 2009; Peng and Jiang 2010) suggests that the institution-based view may explain the effects of societal norms and values on business transactions. This effect is evident in a range of emerging markets such as India, China, Indonesia, Argentina, Hong Kong, Malaysia, and Taiwan, which are characterized by weak regulatory regimes (e.g., weak investor protection and governance regulations), strong social ties, and the substitution of local family networks for market regulations (e.g., corporate governance and investor protection regulations). For instance, Kedia, Mukherjee, and Lahiri (2006) reveal that family and business groups rely on their informal networks and alliances to influence formal regimes.

In the GCC, family-controlled businesses are considered an important part of government economic reforms. Strong tribal customs and the involvement of prominent families in business mean that governments in the region take family interests into

consideration in their economic reforms and regulatory enforcement (Khalifah al-Yousef 2008). For example, Mazaheri (2013) shows that the social structures of GCC communities are dominated by tribal culture, cronyism, and close personal ties. Furthermore, the institution-based view and strong secrecy culture of GCC society is reflected in the many family controlling shareholders who have a strong desire to maintain their families' privacy, confidentiality, and autonomy. Busy board members, who exert less effort, allow family shareholders to share less information, power, and management than directors, who have more time and incentive for in-depth investigations[15] (Pearl Initiative 2012).[16]

Therefore, we hypothesize the following.

H1: *GCC listed firms with highly concentrated family ownership and control are positively associated with the presence of directors with multiple directorships on their corporate boards.*

The literature suggests that board efficiency is associated with board structure and the functioning of board committees (Harrison 1987; Brick and Chidambaran 2010; Tao and Hutchinson 2013). The formation of board committees attracts scholars and regulators because of the central role played by committees in setting objectives, monitoring, and advising the firm (Harrison 1987; Carter et al. 2010). For instance, Klein (1998) investigates the relationship between the presence of specialized board committees and the role of directors in those committees, and documents a positive association between the existence of financing and investment committees and a firm's stock market performance. This finding supports the notion that decisions made by groups (e.g., committees) are of higher quality than those made by individuals (e.g., family members) (Hill 1982).

Harrison (1987) reveals that internal board monitoring committees such as NCs are responsible for providing shareholders with an independent view of corporate affairs. For

[15] This is particularly so with regard to the issues of firm management and the transfer of power from one generation to the next.

[16] The Pearl Initiative issued a report on the governance of family businesses in GCC countries in 2012 based on an analysis of more than 100 interviews with senior figures in these businesses in collaboration with PricewaterhouseCoopers (PWC). See http://www.pearlinitiative.org.

instance, an NC promotes corporate legitimacy and also provides objectivity in decision-making, which may protect the interests of individual board members, particularly with regard to the selection and retention of directors. Given that busy directors are less likely to engage in monitoring (Core, Holthausen and Larcker 1999), institutional investors and shareholders view the presence of an NC as an important signal of a board's ability to build and maintain independence (Shivdasani and Yermack 1999). In the US, for example, the corporate governance guidelines formulated by the Council for Institutional Investors (CII 1998) encourage firms to establish an NC to improve board efficiency through the appointment of qualified members to the board (Uzun, Szewczyk and Varma 2004). In addition, an NC Monitoring Committee continually monitors the performance of directors and evaluates the effectiveness of firms' internal corporate governance structure (Adams and Ferreira 2007).

Consistent with H1, Maury (2006) shows that conflicts between family and minority shareholders are more pronounced in countries characterized by a low degree of investor protection and a high degree of concentrated family ownership. The establishment of an NC that is dominated by qualified independent directors may reduce a controlling family's power to increase the number of board members' outside directorships. Although there is growing evidence of the effectiveness of corporate governance regulations in emerging markets such as those in the GCC, the debate over the functions of corporate governance in family-owned and family-controlled public firms has not been extended to the NC context. Given the effects of such regulation on the formation of NCs, the existence of such a committee may reduce family control over the selection of busy board directors. We hypothesize that the positive association between family ownership and control and the appointment of busy directors is suppressed by the existence of an NC. To test this expectation, we propose the following hypothesis.

H2: *The positive association between family ownership and control and the appointment of busy directors is suppressed by the existence of an NC.*

4. METHODOLOGY AND RESEARCH DESIGN

4.1 Data and Sample

Our sample comprises 185 non-financial firms drawn from stock markers in Bahrain, Oman, Kuwait, Qatar, KSA, and UAE over the 2005 to 2013 period. The data are from S&P Capital IQ. Panel A of Table 1 shows that our initial sample comprises 3286 firm-year observations. We exclude 72 jointly listed firm-years, 1688 firm-years with missing corporate governance data, and 435 firm-year observations with missing key control variables, giving us a final sample of 1091 firm-year observations. Corporate governance variables and family ownership data are hand-collected from the sample firms' annual reports, which are available from the six GCC stock markets and the firms' websites.[17]

Panel B of Table 1 shows that Omani firms account for 45% of our sample, followed by the KSA (40%), the UAE (10%), Bahrain (4%), and Qatar (0.01%). Panel C of Table 1 shows that 20.67% of our sample is derived from the Materials industry sector, followed by firms belonging to the Industrial (19%) and Consumer (15%) industry sectors.

[Insert Table 1, Panels A, B and C about here]

4.2 Variable Description

Dependent Variable: We use three variables (*Busy_BSize*, $Busy_{(log)}$**,** and *Busy02*) to proxy for the extent of multiple outside directorships or director busyness. In line with previous studies, *Busy_BSize* refers to the total number of outside directorships held by all of the board members, scaled by the total number of board members or board size (Fich and Shivdasani 2006; Jiraporn, Kim and Davidson 2008). $Busy_{(log)}$ is calculated as the natural logarithm of the total number of outside directorships held by all of the board members. *Busy02* is a dummy variable equal to 1 if the board has at least one member with two or more outside directorships, and 0 otherwise (Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006; Jiraporn, Kim and

[17] Furthermore, not all of the firms disclose the number of outside directorships held by board members owing to varying corporate governance code requirements (see Appendix1).

Davidson 2008). These proxies are used to reduce any potential endogeneity issues. In our robustness checks, we use two other measures (*Busy03 and Busy04*).[18]

Independent Variables

Family ownership and nomination committee data are hand-collected from firms' annual reports, corporate governance reports, stock market filings, Capital IQ filings, and the firms' websites. There is no corporate governance database currently available for GCC firms. Typically, data pertaining to family ownership and the nomination committee are obtained from the corporate governance and ownership sections of firms' annual reports. Data on ownership are examined to ascertain if it there is information about the founding owners of the firm, or if the founding owners are represented by another entity. For instance, some owners are institutions that are in turn owned by founding family members.

Our family ownership variables measure the percentage of family ownership of a firm's share capital (*FamOwn%*) and the number of directors on the board belonging to one of the top 10 family groups (Claessens et al. 2000) that have been identified in the GCC ($FamilTop10_{(log)}$). We score the ultimate family owner or the family connections with one of the top-10 family groups as 1, irrespective of whether board members also have family connections with the ultimate owner. TNI reports (TNI 2008) assist us in identifying the 10 largest family shareholders among all of the publicly traded firms in the GCC.[19] Following Anderson and Reeb (2003) and Villalonga and Amit (2006), we use *FamOwn%* to measure the degree of family ownership concentration, which provides an indication of the degree of control that

[18] *Busy03* and *Busy04* refer to boards with at least one member who has three or more outside directorships and four or more outside directorships, respectively. All of the busyness measures for year *t* are taken from the voluntary or mandatory disclosures in the annual reports of firms incorporated in GCC stock markets.

[19] We find that these families retain their positions throughout our sample period. We use the natural log of the number of directors that belong to the top-10 family groups in the GCC based on the TNI survey (2008). We also find that this pattern family ownership does not significantly change during our sample period.

family members have over board decision-making. Appendix 2 provides the names of these 10 family groups.[20]

Our NC committee variables are *NC_D*, which is scored as 1 if a firm has a nomination committee, and otherwise 0; *NC_Ind%*, which is calculated as the number of independent directors on the NC scaled by the total number of nomination committee members; and *NC_Factor*, which is a factor score of five governance attributes of the NC. We follow Al-Hadi, Hasan, and Habib (2015) and Tao and Hutchinson (2013) by applying factor analysis to five governance attributes of the NC committee, namely *NC_Ind%*, *NC_Size*, *NC_ChairInd*, *NC_NoMeeting*, and *NC_NoQual*. *NC_Size* is the number of directors on the NC scaled by board size; *NC_ChairInd* is scored as 1 if the NC is chaired by an independent director, and otherwise 0. *NC_NoMeeting* is calculated as a natural logarithm of the number of nomination committee meetings, and *NC_NoQual* is scored as 1 if the NC has at least one director with accounting or finance qualifications such as a CPA, ACCA, and CFA, and otherwise 0.

Control Variables

We use the following control variables: the number of years since incorporation (*Age*), the natural logarithm of the total number of board members ($Boardsize_{(log)}$), the natural logarithm of total assets (*Size*), sales growth (*Sale_Growth*), operating margin (*OpMargin*), director ownership (*DirOwnership*), and AC characteristics (*AC_Factor*). A firm's *age* is expected to be negatively associated with the number of directorships, as posited by Fich and Shivdasani (2006), who find that firms are able to reduce the perceived risk associated with busyness over time. We expect a positive association between board size and the number of outside directorships held by board members. Firm *size* is computed as the natural logarithm

[20] As a robustness check, we use two alternative measures of family ownership: *Fam_D* and *FamMem_D*. *Fam_D* is a dummy variable scored as 1 if the family has shares in the firm, and 0 otherwise. *FamMem_D* is computed as a dummy variable that takes a value of 1 if the firm has more than two directors from the same family on the board, and 0 otherwise.

of total assets and is expected to be positively associated with board busyness (Ferris, Jagannathan and Pritchard 2003). Following Fich and Shivdasani (2006), we also control for sales growth (*Sale_Growth*), which is measured as sales in year *t* minus sales from the previous year, i.e., *t-1*, scaled by sales in *t-1*. A firm's operating margin (*OpMargin*) is measured as operating income scaled by total assets, which is expected to exhibit no significant association with our directorship proxies. Directors who own more than 5% of a firm's stock (*DirOwnership*) are more likely to consider the risks associated with the directorships held by board members. Following previous studies (Al-Hadi, Hasan and Habib 2015; Faleye, Hoitash and Hoitash 2011), we also use *AC_Factor* to control for the influence of AC characteristics on board busyness (see Table 2, Panel C).[21]

4.3 Model Design

To investigate the association between family ownership and board busyness, we use Tobit[22] (*Busy_BSize*), ordinary least-squares (OLS) (*Busy$_{(log)}$*), and logistic (*Busy02*) models, respectively.[23]

$$Busy\_BSize\ /\ Busy_{(log)}\ /\ Busy02_{i,t} = \alpha_0 + \alpha_1 FamOwn\%_{i,t} + \alpha_2 Age_{i,t} + \alpha_3 Boardsize_{i,t} + \alpha_4 Size_{i,t} + \alpha_5 Sale\_Growth_{i,t} + \alpha_6 OpMargin_{i,t} + \alpha_7 DirOwnership_{i,t} + \alpha_8 AC\_Factor_{i,t} + Year\ Dummies + IND\ Dummies + Country\ Dummies + \varepsilon_{i,t} \quad (1)$$

Our main variable of interest is *FamOwn%* or *FamilTop10$_{(log)}$*. We expect the coefficient to be positive and significant for both variables. To examine the association between busyness and the interaction between *FamOwn%* and an NC (*NC_D*), we use the following OLS model.

$$Busy\_BSize\ /\ Busy_{(log)}\ /\ Busy02_{i,t} = \alpha_0 + \alpha_1 FamOwn\%_{i,t} + \alpha_2 NC\_D_{i,t} + \alpha_3 FamOwn\% * NC\_D_{i,t} + \alpha_4 Age_{i,t} + \alpha_5 Boardsize_{i,t} + \alpha_6 Size_{i,t} + \alpha_7 Sale\_Growth_{i,t} + \alpha_8 OpMargin_{i,t} + \alpha_9 DirOwnership_{i,t} + \alpha_{10} AC\_Factor_{i,t} + Year + IND\ FE + Country\ FE + \varepsilon_{i,t} \quad (2)$$

Finally, as a robustness check, we also used *NC_D* with *NC_Ind%* and *NC_Factor*.

[21] We include three AC characteristics (i.e., AC chairman independence, AC size, and AC director independence) in the factor analysis of the audit committee governance attributes.

[22] We use Tobit analysis in this instance, as the dependent variable *Busy_BSize* has a number of variables clustered at a limited value zero (McDonald and Moffitt 1980).

[23] Following Al-Hadi, Hasan and Habib (2015), we conduct a Lagrange Multiplier (LM) test (Breusch and Pagan 1980) to ascertain which model is more appropriate for our main analysis. The LM test shows that we cannot reject the null hypothesis of zero inefficiency. Therefore, we report our analysis using OLS.

5. RESULTS AND DISCUSSION

5.1 Descriptive Statistics

The descriptive statistics of the variables included in the regression models for all of the GCC countries are reported in Table 2 of Panel A. Although most GCC corporate governance codes do not require identification of the number of outside directorships held by board members (except for the KSA and Bahrain; see Appendix 1), our measure of multiple outside directorships is consistent with that used in prior studies. The mean (median) values of the *Busy_BSize*, $Busy_{(log)}$, and *Busy02* indices are 31.6 (29.0), 1.046 (1.0), and 0.559 (1.0), respectively. These mean values are similar to those reported in previous studies: 33.7 reported by Ferris, Jagannathan, and Pritchard (2003) and 42.0 reported by Jiraporn, Kim, and Davidson (2008). Panel A shows that the mean (median) of *FamOwn%* (percentage of family ownership for firm *i* in year *t*) in the sample period is 0.078 (0.00), which is similar to the mean of 0.06 reported by Villalonga and Amit (2006). Overall, our variables are largely consistent with those reported in prior studies (Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006; Field, Lowry and Mkrtchyan 2013).

[Insert Table 2 Panel A about here]

5.2 Univariate Analysis

Table 2 of Panel B shows the mean difference and t-statistics of multiple outside directorships with and without family ownership. We find that all of the measures of multiple outside directorships are significantly higher for firms with family ownership (t-values of 3.56, 3.29, and 4.52 with $p<0.01$ for *Busy_BSize*, $Busy_{(log)}$, *and Busy02*, respectively). This provides support for H1: family ownership increases board busyness. Table 2 shows that firms with family ownership are older than their counterparts, have higher levels of director ownership, poorer AC quality, and a lower level of assets.

[Insert Table 2 Panel B about here]

5.3 Factor Analysis

Panel C of Table 2 summarizes the results of the factor analyses of the governance attributes of both the NC and AC. Following Al-Hadi, Hasan, and Habib (2015), we conduct component factor analyses for both the NC and AC. For the NC, we use five governance variables: *NC_Ind%*, *NC_Size*, *NC_ChairInd*, *NC_NoMeeting*, and *NC_NoQual*.[24] All of the factor loadings are greater than 65%. For the AC, we use *AC_ChairInd*, *AC_Size*, and *AC_DirInd%*. We obtain loadings of 64% and 67.31% for *NC_Factor* and *AC_Factor*, respectively. The goal of factor analysis is to identify commonalities or factors underlying our measures of corporate governance quality. Such factors are unobservable but manifest themselves through these observable outcomes (Bushman, Piotroski and Smith 2004). Following Bushman, Piotroski, and Smith (2004), we retain factors with eigenvalues greater than 1; using this criterion, the analysis reveals one factor for each committee. Following Bushman, Piotroski, and Smith (2004), we then rotate the factors using the *varimax rotation* technique to clarify the interpretation of these factors. We present the rotation results in Panel C Table 2.

Using the NC factor 1, qualifications appear relatively unimportant with a weight of 1%. Thus, the factor represents and captures substantial commonalities among the governance attributes of the NC. This clustering is intuitively correct, as an NC committee with a higher number of independent directors is more likely to be headed by an independent committee chair, and both the independent chair and independent directors will regularly meet to monitor and administer board appointments and remuneration. Furthermore, both the number of independent directors and chair are highly correlated with committee size. We have labeled

[24] *NC_Ind%* is the percentage of independent directors on the NC, and *NC_Factor* is an eigenvalue obtained from five NC characteristics: NC size, independence of NC chairperson, number of independent directors on the NC, number of NC meetings per year, and qualifications of NC members.

this factor the *NC_Factor*. We also repeat this process for the governance attributes (number of independent members, existence of an independent chair and size) of the audit committee (AC) giving rise to an audit committee factor *AC_Factor*. Prior studies (e.g., Klein 2002) measure the AC as a dummy variable or as the number of independent directors on the audit committee. The results of the *varimax* rotation suggest that audit committee chair independence and size are important, whereas the number of independent audit committee directors is not.

[Insert Table 2 Panel C about here]

5.4 Correlation Analysis

Table 3 presents the Pearson correlation matrix between the dependent and independent variables included in this study. Consistent with the univariate analysis results, we find a positive and significant correlation between firms with multiple outside directorships and family ownership. For instance, *FamOwn%* is positively correlated with *Busy02* at $p < 0.1$. Furthermore, firms with a higher proportion of top-10 family directors on their boards ($FamilTop10_{(log)}$) are positively correlated with all of the directorship proxies (*Busy_BSize*, $Busy_{(log)}$, and *Busy02*) at $p < 0.01$.

[Insert Table 3 about here]

5.5 Regression Analysis

5.5.1 Family Ownership and Busyness

Table 4 presents the OLS estimates of the association between family ownership (*FamOwn%, and* $FmilTop10_{(log)}$) and the multiple outside directorship proxies (*Busy_BSize*, $Busy_{(log)}$, and *Busy02*). Consistent with H1, we find the coefficients between these proxies and the family ownership variables to be positive and statistically significant. More specifically, in models 1 to 3, we find that the coefficients (0.112, 0.317, and 1.002) between these variables are significant at $p < 0.05$. We also find the association between family ownership, as represented by the number of top-10 families, and the multiple outside directorship proxies in models 4 to 6 are statistically significant at $p < 0.01$. Our regression results are consistent with

the tenets of Type II agency theory, whereby family board members control voting rights through their concentrated ownership (Anderson and Reeb 2003; Villalonga and Amit 2006). Consistent with Ali, Chen, and Radhakrishnan (2007), these findings suggest that family directors control the information flow in firms and participate in activities designed to reward themselves at the expense of minority shareholders. Furthermore, as GCC regulatory frameworks are in their infancy, family domination, tribalism, customs, and traditions affect the strategic decisions of boards.

We also find that multiple outside directorships are significantly associated with three of our control variables: board size, firm size, and AC quality. These results are consistent with those of prior studies (Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006). We include country, industry, and year dummies as controls in all of our regression models, and also corrected standard errors for hetereoscedasticity, serial correlation, and autocorrelation using White's (1980) and Newey and West's (1987) tests. All of the variables are Winsorized at the 1% and 99% levels.

[Insert Table 4 about here]

5.5.2 H2: Association between Busyness and Interaction between Ownership and NC

We test whether the existence of an NC moderates the association between family ownership and multiple outside directorships. Given the regulatory effect of NC formation, an NC can be considered a specialized committee responsible for assessing and appointing board members (Harrison 1987; Uzun, Szewczyk and Varma 2004). Hence, we hypothesize that an NC will be an effective monitor, and thus suppress actions that benefit families at the expense of minority shareholders; specifically, it will reduce board members' number of outside directorships.

Table 5 reports the results of the regression of the interactions between NC characteristics and family ownership using different proxies for directorships. Model 1 exhibits

our primary specification and estimates our baseline regression, whereas models 2 and 3 examine alternative NC and directorships proxies. In accordance with H2, we find that the coefficient of the interactions between family ownership and the NC variables (*NC_D*, *NC_Ind%*, and *NC_Factor*) are negatively associated with the multiple outside directorships proxies (*Busy_Bsize*, *Busy$_{(log)}$*, and *Busy02*) to a statistically significant degree, which suggests that firms with family representation on the board and an NC in place have fewer busy directors than other firms. For instance, in model 1 (Table 4), we find that the coefficient of the association between *Busy_BSize* and *FamOwn% Model* is 0.1120**,[25] which is significant at the 0.05% level. Additionally, firms with family ownership *(FamOwn%*) and an NC have reduced family control with a size effect of 0.0187 (0.1998*** *FamOwn%* + -0.1811* *FamOwn% × NC_D*) at the 0.1% level.

The coefficients in model 2 for the interaction term *FamOwn%*(NC_D, NC_Ind%* and *NC_Factor*) on multiple outside directorship proxy *Busy$_{(log)}$* are negative and statistically significant (-0.5733, -0.3992, and -0.2505) at $p < 0.05$. Moreover, model 3 presents the coefficients for the interaction term *FamOwn%*(NC_D, NC_Ind% and NC_Factor*) on multiple outside directorship proxy *Busy02*, and the results are consistent with models 1 and 2 (-1.4884, -1.4852, and -1.0081). Overall, these results are consistent with H2 and support our argument that an NC has a negative effect on the relationship between family ownership concentration and the outside directorships of board members. The presence of an NC thus suppresses the positive association between family ownership and board busyness. These results show that establishing board committees such as NCs, as recommended by GCC regulators, improves the board efficiency of firms with concentrated family ownership.

[Insert Table 5 about here]

6. ROBUSTNESS ANALYSIS

[25] *, **, and *** indicate significance at the 10%, 5%, and 1% levels.

We conduct several robustness checks of our results. First, to address the concern that our results are not specific to the measurement of multiple outside directorships, and motivated by previous studies (Ferris, Jagannathan and Pritchard 2003; Fich and Shivdasani 2006; Jiraporn, Kim and Davidson 2008), we include two alternative proxies for multiple outside directorship measures (*Busy03* and *Busy04*). Panel A of Table 6 provides evidence consistent with the hypothesis that family ownership increases the number of multiple outside directorships. For example, the results for models 1 to 8 show a positive relationship between *FamOwn%* and several proxies for directorships (*Busy_BSize*, $Busy_{(log)}$, *Busy02*, *Busy03_BSize*, $Busy03_{(log)}$, *NoDir3*, *Busy03, and Busy04*) at $p<0.01$ or better.[26] We also test the association between ($FamilTop10_{(log)}$), the second measure for family ownership, and all of the proxies for outside directorships (*Busy_BSize*, $Busy_{(log)}$, *Busy02*, *Busy03_BSize*, $Busy03_{(log)}$, *NoDir3, Busy03, and Busy04*) at $p<0.01$ or better. These results provide consistent evidence that family ownership reduces board monitoring by engaging busy directors on the board. These results support H1.

[Insert Table 6 Panel A about here]

Second, we also add two additional measures of family ownership (see Table 6, Panel B). Following previous studies (e.g., Jaggi and Leung 2007; Ali, Chen and Radhakrishnan 2007; Jaggi, Leung and Gul 2009), we include a dummy variable (*FamMem_D*) equal to 1 if the firm has at least one family member on the board, and otherwise 0, and another (*Fam_D*) equal to 1 if the firm is controlled (or has shares held) by family shareholders, and 0 otherwise. In both models, the magnitudes and signs of the coefficients do not change compared to our baseline analysis in Table 4. For example, the coefficients of models 1 to 3 for the association

[26] *Busy_BSize* is calculated as the number of directors in a firm that features two or more outside directorships scaled by board size, $Busy_{(log)}$ is a natural logarithm of two or more outside directors and *Busy02* is a raw variable of the number of directors in a firm that features two or more outside directorships. We also repeat this for a firm where the number of directors in a firm that features three or more outside directorships (Busy03_BSize, $Busy03_{(log)}$, and NoDir3); Busy03 is dummy equal to 1 if a firm has more than three directorships, and otherwise 0 and *Busy04* is a dummy equal to 1 if a firm has more than four directorships, and otherwise 0.

between *Fam_D* and the three measures of busyness (*Busy_BSize*, $Busy_{(log)}$, and *Busy02*) are significant at $p < 0.01$. In addition, in models 4 to 6, the associations between family (*FamMem_D*) and the multiple outside directorship proxies (*Busy_BSize*, $Busy_{(log)}$, and *Busy02*) are also positive and significant at $p < 0.01$ (model 4) and $p < 0.05$ (models 5 and 6).

[Insert Table 6 Panel B about here]

6.1 Additional analysis:

Another possible way for families to maintain control is to employ less experienced directors. Following previous studies (e.g., Badolato, Donelson and Ege 2014; Custódio and Metzger 2014), we hand collect data on board experience from annual reports. Eight variables pertaining to board experience are categorized into two sets: a) monitoring experience, defined as chairman and CEO experience (measured as the number of directors who have been a chairman or a CEO prior to joining the current board); and b) financial experience, defined as directors who have held a finance role (CFO, Treasurer, controller, head of accounting department, financial analyst, and banking) prior to joining the current board. In addition, we also sum the board experiences in firm *i* in year *t*.

Following our main analysis, presented in Table 4, we scale monitoring experience and financial experience on board size. We also calculate the natural log of this variable. The results are tabulated in Table 7. The results are consistent with our hypothesis that families in the GCC are reluctant to promote or introduce high profile directors to the board of their firms. Specifically, we find a negative and statistically significant association between board experience and family ownership. We also find that family ownership reduces the number of directors with monitoring experience on the board. This suggests that families in the GCC practice several methods for transferring the monitoring power to their hands; this is not only effected through the employment of more directors with outside directorships, but also by reducing the appointment of experienced directors in the board.

6.2 Endogeneity Test: Two-Stage Least Squares

The results of the OLS estimations suggest a positive and significant association between the family ownership measures (*FamOwn%* and *FamilTop10$_{(log)}$*) and the proxies of multiple outside directorships (*Busy_BSize*, *Busy$_{(log)}$*, *Busy02)*. However, the sign, magnitude, and/or statistical significance of these estimates may be biased owing to endogeneity issues. For example, family ownership and the error term in the first regression (Table 4) may be correlated. To address this potential problem, we use instrumental variable (IV) estimations (two-stage least squares) to re-test the OLS panel regression findings reported in Table 4. However, this approach is appropriate only if the IVs are correlated with the endogenous repressor (here, the family ownership measurements) but uncorrelated with the error term in the second-stage regression. Following previous studies that use this IV approach (e.g., Larcker and Rusticus 2010) and related empirical studies (Hasan, Hossain and Habib 2015; Al-Hadi, Hasan and Habib 2015), we specify two firm-specific characteristics: a) a *CSR Disclosure* dummy variable that takes a value of 1 if the firm discloses corporate social responsibility (CSR) activities, and 0 otherwise; and b) *FamOwn_CI*, measured as family ownership based on country and industry, as IVs. Several studies find CSR disclosures to be correlated with family ownership (Dyer and Whetten 2006) because of reputational concerns and a desire to protect family assets. We thus expect a positive association between CSR and family ownership. No study to date has shown an association between CSR and director busyness. The use of *FamOwn_CI* can be also justified by the premise that the industry level of family ownership in each year has a profound effect on the firm ownership level. For example, in GCC firms, family ownership is highly concentrated in the Materials industry sector (Arouri, Hossain and Badrul Muttakin 2014).

Table 8 shows a positive association between our IVs and family ownership. The coefficients of both *CSR Disclosure* and *FamOwn_CI* are positive at the 1% level of

significance in models 1 and 2. In the second stage, the association between family ownership and busyness in both measures is positive and significant. For models 1 and 2, we find coefficients of 0.6510 and 1.2606 at $p < 0.01$ and $p < 0.05$, respectively. Hence, even after controlling for endogeneity (2SLS), our results remain unchanged.[27]

7. CONCLUSION

This study examines the association between family ownership and multiple outside directorships in the GCC. The GCC is an ideal environment for the study because the region's public firms have high levels of concentrated family ownership, it is common for firms to have multiple directorships, and compliance with corporate governance codes is not mandatory in much of the GCC, although many firms recently began establishing NCs voluntarily. In this scenario, both wealth and control can be expected to transfer from minority to family shareholders. Specifically, we expect that concentrated family ownership will lead to an increase in the number of directors who hold multiple outside directorships, thus disseminating control among board constituents. Using data from six GCC countries, we find that the number of directors holding multiple outside directorships is significantly higher for firms with higher levels of family ownership. We also find that the formation of a separate NC suppresses the positive association between family ownership and the appointment of busy directors. Our results also reveal that NC characteristics (e.g., size, independent directors, and *NC_Factor*) are significantly associated with a reduction in the number of busy directors on corporate

[27] We also conduct several post-estimation tests to further support our theoretical link using 2SLS. Weak instrument test results suggest that excluded instruments are correlated with the endogenous regressors, as the Cragg-Donald Wald F-statistic is greater (21.84) than the Stock and Yogo (2005) critical value (19.93) in models 1 and 2. The results of the Hansen test of over-identifying restrictions do not reject the null hypothesis ($p > .10$), suggesting that the instruments are uncorrelated with the error term but are correctly excluded from the second-stage regression, indicating the validity of the instruments used for 2SLS. In neither model can we reject the null hypothesis, with J-statistics of 0.84 (model 1) and 2.316 (model 2). Finally, the Hausman (1978) test results strongly ($p < .01$) reject the heterogeneity of family ownership, implying that the 2SLS estimates are preferable to the OLS estimates.

boards. These results are robust to the use of various proxies for busyness and family ownership measures, and hold after controlling for endogeneity concerns.

This study contributes to the growing literature on corporate governance in the GCC region. Prior studies do not consider the influence of family ownership, and neither do they investigate the role of the NC as a corporate governance mechanism.[28] We contribute to the family ownership literature by showing that families maintain their control over minority shareholders through the appointment of busy directors to their boards. Our findings strongly support the recommendation that NCs be formed to protect minority shareholders by reducing the number of outside directorships. Their formation may also promote the effectiveness of the monitoring, advising, and control duties of board members. This study uses Type II agency and institution-based theories to examine our main question concerning the association between family ownership and multiple outside directorships held by board members.

Our empirical findings show that in firms with highly concentrated family ownership, family owners exert a significant influence over the appointment of busy directors. These findings may be useful to investors, assisting them in making informed decisions regarding investing in firms with concentrated family ownership.

The study does, however, have some limitations, which suggest a number of avenues for future research. First, the study focuses on the effect of family ownership as a firm capital structure on director busyness. Many other types of ownership could also be considered, such as institutional, state, and foreign ownership. Second, we encourage future researchers to consider such issues as whether the extent of managerial ownership influences the appointment of busy directors, in turn affecting the board's monitoring quality. Our results may also have

[28] Prior research on the effect of family ownership concentration on multiple directorships has primarily been carried out in Western, predominantly Anglo-American, contexts. However, firms elsewhere, particularly in the GCC, operate with distinctive cultures and in distinct legal and institutional environments, which may have important effects on corporate governance. Hence, the applicability of Western models should be tested in different contextual environments.

important implications for other emerging economies whose policymakers and regulators may also need to address the conflict between controlling and non-controlling shareholders.

In summary, we find that families in GCC firms maintain control over minority shareholders by appointing busy or less experienced directors to their boards. In addition, we find that the existence and quality of specialized board committees such as NCs improve board effectiveness. A key implication of these findings is that to protect minority shareholders, regulators should formulate laws that impose a strict limit on the number of multiple directorships that the board members of publicly listed companies can hold. In addition, regulators should require firms to disclose in their corporate governance reports such information as firm type (e.g., family or non-family); the kind of relationship ties (i.e., family or non-family) among owners, managers, and directors; and affiliate and family relationships. The findings of this study also suggest that regulators need to ensure greater transparency and a high level of disclosure to address agency problems if all shareholders are to influence firms' decision-making process. These changes in corporate governance codes are essential if the GCC is to enhance its competitiveness and truly become a regional financial and business hub.

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Table 1

Panel A: Busy02 Sample selection

Total Observations	
Number of Non-financial firms available in S & P Capital IQ for the GCC countries	3286
Less	
Joint listed firms observation	-72
	-
Firms with an unavailable annual report for corporate governance data	1688
Key control variables	-435
Total Observations	**1091**

Panel B: Sample Distribution by year and Country (frequency)

YEAR	BAH	KSA	OMN	QAT	UAE	Total
2006	1.00	13.00	55.00	0.00	0.00	69.00
2007	1.00	27.00	59.00	0.00	2.00	89.00
2008	1.00	53.00	63.00	0.00	4.00	121.00
2009	4.00	60.00	63.00	0.00	7.00	134.00
2010	7.00	70.00	65.00	1.00	18.00	161.00
2011	9.00	70.00	63.00	2.00	26.00	170.00
2012	10.00	71.00	64.00	2.00	27.00	174.00
2013	9.00	70.00	64.00	2.00	28.00	173.00
Total	42.00	434.00	496.00	7.00	112.00	1091

Panel C:

INDUSTRY	Freq.	Percent
Consumer Discretionary	170	15.58
Consumer Staples	240	22
Energy	51	4.67
Healthcare	31	2.84
Industrials	209	19.16
Information Technology	8	0.73
Materials	291	26.67
Telecommunication Services	35	3.21
Utilities	56	5.13
Total	1,091	100

Table 2

Panel A: Descriptive statistics

Variable	N	Mean	S.D.	0.25th	Mdn	0.75th
Busy_BSize	1091	0.316	0.264	0.111	0.286	0.455
$Busy_{(log)}$	1091	1.046	0.680	0.693	1.099	1.609
Busy02	1091	0.599	0.490	0.000	1.000	1.000
$FamilTop10_{(log)}$	1091	1.228	1.298	0.000	1.000	2.000
FamOwn%	1091	0.078	0.155	0.000	0.000	0.106
$Age_{(log)}$	1091	22.324	12.424	13.000	19.000	31.000
$BoardSize_{(log)}$	1091	7.740	1.740	7.000	7.000	9.000
$Size_{(log)}$	1091	1430.520	5262.116	41.400	149.500	547.600
Sale_Growth%	1091	39.203	486.093	-13.500	0.180	25.400
OpMargin	1091	0.088	0.101	0.028	0.081	0.145
DirOwnership	1091	0.061	0.116	0.000	0.000	0.100
AC_Factor	1091	0.081	0.976	-0.507	0.352	0.774

Notes: Table 2 Panel A reports summary statistics for the key variables for a sample of 1091from the GCC countries over the period 2005–2013. The data cover the period from 2005 through 2013.

Panel B: Univariate Analysis:

Variable	Multiple Outside Directorships means			
	Fmaily_D=0	*Fmaily_D =1*	Difference	t-stat
Busy_BSize	0.2955	0.355	-0.0599	-3.5682***
$Busy_{(log)}$	0.9975	1.1402	-.14272	-3.2922***
Busy02	0.5677	0.7040	-.1362	-4.5249***
$Age_{(log)}$	2.8441	3.1283	-0.2842	-7.6590***
$BoardSize_{(log)}$	2.0249	2.0307	-0.0057	-0.4286
$Size_{(log)}$	5.2069	4.9299	0.2769	2.2659**
Sale_Growth%	0.4046	0.2031	0.2014	0.2291
OpMargin	0.0876	0.0904	-0.0028	-0.4548
DirOwnership	0.0294	0.1352	-0.1058	-14.827***
AC_Factor	0.0835	0.0063	0.0771	1.262***

Notes: Busy_BSize, $Busy_{(log)}$ and Busy02 are proxies for the multiple outside directorships of board members; *Fmaily_D* is dummy variable take value of 1 if family own percentage of shares on firm capital structure; 0 otherwise $Age_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; $BoardSize_{(log)}$ is the log of the total number of directors on firm board; $Size_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income standardized by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three audit committee characteristics including size of audit committee, independent of audit committee chairman and number of independent directors on audit committee members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel C: Nomination Committee (NC) and Audit Committee (AC) Component Factor Analysis

Factor	Eigenvalue	Difference	Proportion	Cumulative
NC_Ind%	3.2027	2.23068	0.6405	0.6405
NC_Size	0.97202	0.43421	0.1944	0.8349
NC_ChairInd	0.53781	0.34931	0.1076	0.9425
NC_NoMeeting	0.18851	0.08955	0.0377	0.9802
NC_NoQual	0.09896	.	0.0198	1.0000
Rotation: Promax				
Factor	Variance	Proportion		
Factor1	3.2027	0.6405		

Factor	Eigenvalue	Difference	Proportion	Cumulative
AC_ChairInd	2.0193	1.23341	0.6731	0.6731
AC_Size	0.7859	0.5911	0.262	0.9351
AC_DirInd%	0.1948	.	0.0649	1.0000
Rotation: Promax				
Factor	Variance	Proportion		
Factor1	2.0193	0.6731		

Table 3: Pearson correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12
Busy_BSize	1											
Busy$_{(log)}$	0.9315***	1										
Busy02	0.7704***	0.8518***	1									
FamOwn%	0.0372	0.0122	0.0486	1								
FamilTop10$_{(log)}$	0.1865***	0.2298***	0.1764***	-0.1231***	1							
Age$_{(log)}$	0.0125	0.0074	0.018	0.1282***	0.0667**	1						
BoardSize$_{(log)}$	0.1633***	0.3932***	0.2959***	-0.0683**	0.2409***	0.112***	1					
Size$_{(log)}$	0.2551***	0.3192***	0.2276***	-0.098***	0.102***	-0.0208	0.3806***	1				
Sale_Growth	0.0135	0.0134	-0.0148	-0.0049	0.0006	0.0032	0.0161	0.0809***	1			
OpMargin	0.0379	0.057*	0.0526*	0.0051	0.0907***	0.1656***	0.0624**	0.1843***	-0.0147	1		
DirOwnership	0.0333	-0.0008	0.0414	0.4877***	-0.1135***	0.0422	-0.0314	-0.0421	-0.0053	0.0637**	1	
AC_Factor	-0.0739**	-0.2024***	-0.1692***	0.0334	0.0317	-0.134***	-0.5394***	-0.3777***	-0.0202	-0.0319	-0.097***	1

Notes: Busy_BSize, Busy$_{(log)}$ and Busy02 are proxies for the multiple outside directorships of board members; FamOwn% is the percentage of the shares own by family on firm capital structure; FamilTop10$_{(log)}$ is natural log of the number of representative directors from big 10 family over the GCC listed firms (see appendix 2); Age$_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; BoardSize$_{(log)}$ is the log of the total number of directors on firm board; Size$_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income standardized by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three audit committee characteristics including size of AC, independent of AC chairman and number of independent directors on audit committee members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4: Association between family ownership and busyness

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Busy_BSize	***Busy$_{(log)}$***	***Busy02***	***Busy_BSize***	***Busy$_{(log)}$***	***Busy02***
	Tobit	**OLS**	**Logit**	**Tobit**	**OLS**	**Logit**
Intercept	0.2306***	-1.3663***	-7.7959***	0.2303***	-1.1422***	-7.0020***
	(45.97)	(-4.88)	(-6.65)	(45.97)	(-3.99)	(-5.95)
FamOwn%	0.1126**	0.3170**	1.0024**			
	(2.15)	(2.33)	(1.96)			
FamilTop10$_{(log)}$				0.0374***	0.1010***	0.3141**
				(2.64)	(3.01)	(2.28)
Age$_{(log)}$	0.0111	-0.0351	-0.1446	0.0101	-0.0325	-0.1342
	(0.80)	(-1.04)	(-1.05)	(0.73)	(-0.99)	(-1.00)
BoardSize$_{(log)}$	0.1761***	1.2065***	3.5012***	0.1468***	1.1007***	3.2077***
	(4.18)	(11.87)	(7.80)	(3.35)	(10.61)	(7.09)
Size$_{(log)}$	0.0301***	0.0706***	0.2084***	0.0274***	0.0633***	0.1908***
	(5.09)	(5.21)	(3.69)	(4.60)	(4.50)	(3.32)
Sale_Growth	-0.0000	-0.0000	-0.0001	-0.0000	-0.0000	-0.0001
	(-0.26)	(-0.60)	(-1.23)	(-0.23)	(-0.51)	(-1.17)
OpMargin	0.0203	0.1844	0.8864	-0.0018	0.1409	0.6988
	(0.27)	(0.93)	(1.17)	(-0.02)	(0.71)	(0.92)
DirOwnership	0.0697	0.0230	-0.0383	0.1345**	0.2048	0.5962
	(0.98)	(0.12)	(-0.05)	(2.10)	(1.15)	(0.87)
AC_Factor	0.0267***	0.0565**	0.1252	0.0262***	0.0518**	0.1149
	(2.74)	(2.37)	(1.32)	(2.69)	(2.20)	(1.21)
Firm Robust	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
IND Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Country Dummies	Yes	Yes	Yes	Yes	Yes	Yes
N	1091	1091	1084	1091	1091	1084
pseudo /R-sq	1.146	0.305	0.145	1.1540	0.300	0.1548
	0.231***	-	-	0.230***	-	-
	(45.97)	-	-	(45.97)	-	-

Notes: Dependent variables in Table 4 are Busy_BSize, Busy$_{(log)}$ and Busy02 which refer to the proxies for the multiple outside directorships of board members; Two independent variable use to examine the family ownership- control over the GCC listed firms; First, FamOwn% is the percentage of the shares own by family on firm capital structure; Second, FamilTop10$_{(log)}$ is natural log of the number of representative directors from big 10 family over the GCC listed firms (see appendix 2); Age$_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; BoardSize$_{(log)}$ is the log of the total number of directors on firm board; Size$_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income scaled by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three audit committee characteristics including size of AC, independent of AC chairman and number of independent directors on AC members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation *, **, and *** denotes statistical significance relation at the 10%, 5%, and 1% levels respectively.

Table 5 Panel A: Association between busyness and interaction between (Ownership and Nom. Committee)

	Model 1-3			**Model 4-6**			**Model 7-9**		
	Busy_BSize			***Busy$_{(log)}$***			***Busy$_{02}$***		
	Tobit			**OLS**			**Logit**		
Intercept	0.2296***	0.2285***	0.2306***	-1.4129***	-1.4164***	-1.4371***	-7.8547***	-7.8654***	-7.3783***
	(41.09)	(41.37)	(38.28)	(-5.17)	(-5.23)	(-4.76)	(-6.76)	(-6.77)	(-5.98)
FamOwn%	**0.1979*** **	**0.1781** **	**0.1176* **	**0.5924*** **	**0.5347*** **	**0.3201** **	**1.6516** **	**1.8040** **	**1.1932** **
	(2.62)	**(2.40)**	**(1.91)**	**(2.98)**	**(2.74)**	**(2.02)**	**(2.30)**	**(2.55)**	**(2.06)**
NC_D	**0.0720*** **			**0.2209*** **			**0.8435*** **		
	(3.04)			**(3.85)**			**(3.37)**		
FamOwn% * NC_D	**-0.1777* **			**-0.5733** **			**-1.4884**		
	(-1.83)			**(-2.26)**			**(-1.52)**		
NC_Ind%		**0.0933*** **			**0.2206*** **			**0.6421*** **	
		(4.53)			**(4.71)**			**(3.16)**	
FamOwn% * NomInd%		**-0.1270**			**-0.3992** **			**-1.4852** **	
		(-1.61)			**(-2.15)**			**(-1.97)**	
NC_Factor			**0.0458*** **			**0.1058*** **			**0.3198*** **
			(3.45)			**(3.49)**			**(2.58)**
FamOwn% * NC_Factor			**-0.0713**			**-0.2505** **			**-1.0081** **
			(-1.51)			**(-2.10)**			**(-2.23)**
Age$_{(log)}$	0.0108	0.0092	0.0004	-0.0356	-0.0376	-0.0550	-0.1409	-0.1373	-0.2203
	(0.80)	(0.69)	(0.02)	(-1.05)	(-1.11)	(-1.47)	(-1.00)	(-0.98)	(-1.41)
BoardSize$_{(log)}$	0.1622***	0.1511***	0.2083***	1.1621***	1.1478***	1.2630***	3.4124***	3.4403***	3.5622***
	(3.72)	(3.48)	(4.47)	(11.45)	(11.35)	(11.36)	(7.53)	(7.58)	(7.51)
Size$_{(log)}$	0.0296***	0.0295***	0.0241***	0.0690***	0.0685***	0.0547***	0.2048***	0.2009***	0.1552***
	(5.47)	(5.51)	(4.16)	(5.09)	(5.09)	(3.76)	(3.56)	(3.53)	(2.59)
Sale_Growth	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000
	(-0.16)	(-0.12)	(-0.72)	(-0.25)	(-0.28)	(-1.09)	(-1.01)	(-1.06)	(-1.06)
OpMargin	0.0326	0.0435	0.1226	0.2284	0.2483	0.3692*	0.9788	1.1312	1.8201**
	(0.41)	(0.55)	(1.46)	(1.15)	(1.25)	(1.74)	(1.26)	(1.46)	(2.24)
DirOwnership	0.0586	0.0625	0.0464	-0.0171	-0.0144	0.0135	-0.1407	-0.1762	-0.3249
	(0.73)	(0.75)	(0.50)	(-0.09)	(-0.07)	(0.06)	(-0.20)	(-0.25)	(-0.41)
AC_Factor	0.0233**	0.0170*	0.0261**	0.0441*	0.0320	0.0559**	0.0892	0.0692	0.1403
	(2.29)	(1.66)	(2.33)	(1.84)	(1.32)	(2.10)	(0.93)	(0.71)	(1.38)
Firm Robust	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
IND Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1091	1091	959	1091	1091	959	1084	1084	957
pseudo R-sq	1.179	1.216	1.179	0.314	0.316	0.275	0.162	0.161	0.148
sigma	0.2296***	0.2285***	0.2306***	-	-	-	-	-	-

	(41.09)	(41.37)	(43.11)	-	-	-	-	-	-

Notes: Dependent variables in Table 4 are Busy_BSize, $Busy_{(log)}$ and Busy02 which refer to the proxies for the multiple outside directorships of board members; NC_D is a dummy variable that takes a value of 1 if the firm has a dedicated nomination committee and 0 otherwise; FamOwn% is the percentage of the shares own by family on firm capital structure; FamOwn% * NC_D is the interaction between percentage of family ownership multiplied by nomination committee dummy; NC_Ind% is the percentage of independent directors on nomination committee; FamOwn% * NomInd% is the interaction between percentage of family ownership multiplied by percentage of independent directors on NC; NC_Factor is an eigenvalue obtained from five NC characteristics which includes size of NC, independent of NC chairman, number of independent directors on NC members, number of NC meetings per year and qualification of NC members; FamOwn%*NC_Factor is the interaction between percentage of family ownership multiplied by NC factor eigenvalue; $Age_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; $BoardSize_{(log)}$ is the log of the total number of directors on firm board; $Size_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income standardized by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three audit committee characteristics including size of AC, independent of AC chairman and number of independent directors on audit committee members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation *, **, and *** denotes statistical significance relation at the 10%, 5%, and 1% levels respectively.

Table 6 Robust analysis

Panel A: Association between alternative measures of family ownership and busyness

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	Busy02_BSize	***Busy02$_{(log)}$***	***Busy02***	***Busy03_BSize***	***Busy03$_{(log)}$***	***NoDir3***	***Busy03***	**Busy04**
	Tobit	***OLS***	***OLS***	***Tobit***	***OLS***	***OLS***	**Logit**	**Logit**
Intercept	-0.0580	-0.6396***	-1.7393***	-0.1740***	-0.7437***	-2.6310***	-10.9888***	-3.9717***
	(-0.96)	(-3.37)	(-3.31)	(-3.34)	(-4.60)	(-5.93)	(-8.18)	(-2.64)
FamOwn%	**0.0576****	**0.1711****	**0.4994****	**0.0800*****	**0.1231***	**0.6026*****	**1.0922****	**0.9895**
	(2.04)	**(1.99)**	**(2.01)**	**(3.15)**	**(1.68)**	**(3.05)**	**(2.08)**	**(1.62)**
Age$_{(log)}$	-0.0068	-0.0196	-0.0524	0.0025	0.0253	0.0243	0.1439	-0.2124
	(-0.90)	(-0.86)	(-0.88)	(0.42)	(1.30)	(0.49)	(0.96)	(-0.98)
BoardSize$_{(log)}$	0.0559**	0.4840***	1.4062***	0.0663***	0.3797***	1.3558***	4.1385***	1.1833*
	(2.45)	(6.99)	(7.75)	(3.18)	(6.44)	(8.47)	(8.16)	(1.96)
Size$_{(log)}$	0.0100***	0.0222**	0.0700***	0.0129***	0.0289***	0.0943***	0.3216***	0.2277***
	(3.11)	(2.28)	(2.92)	(4.56)	(3.48)	(4.41)	(4.79)	(2.71)
Sale_Growth	0.0000	0.0000	0.0000	-0.0000	0.0000	-0.0000	0.0021	0.0061
	(0.11)	(0.55)	(0.22)	(-1.17)	(0.08)	(-1.18)	(0.55)	(1.00)
OpMargin	0.0190	0.1280	0.2500	0.0315	0.0327	0.2342	0.7104	1.4587
	(0.46)	(1.02)	(0.80)	(0.99)	(0.31)	(0.94)	(0.90)	(1.38)
DirOwnership	0.0079	0.0578	-0.0132	-0.0205	-0.0007	-0.2802	0.7286	0.64
	(0.21)	(0.50)	(-0.04)	(-0.62)	(-0.01)	(-1.11)	(0.96)	(0.76)
AC_Factor	0.0134**	0.0549***	0.0955**	0.0080*	0.0103	0.0614*	0.2900***	0.1822
	(2.54)	(3.42)	(2.40)	(1.69)	(0.76)	(1.66)	(2.88)	(1.32)
Firm Robust	YES	YES	YES	YES	YES	YES	Yes	Yes
Year Dummies	YES	YES	YES	YES	YES	YES	Yes	Yes
IND Dummies	YES	YES	YES	YES	YES	YES	Yes	Yes
Country Dum.	YES	YES	YES	YES	YES	YES	Yes	Yes
N	1091	1091	1091	1091	1091	1091	1083	1076
R-sq (Pseudo R2)	-0.0426	0.084	0.105	-0.088	.32362	0.1777	0.236	0.083
sigma	0.1250***	-	-	0.1107***	-	-	-	
	(46.71)			(34.91)	-	-	-	

Table 6 Panel A Cont.

	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
	Busy02_BSize	***Busy02$_{(log)}$***	***Busy02***	***Busy03_BSize***	***Busy03$_{(log)}$***	***NoDir3***	**Busy03**	**Busy04**
	Tobit	***OLS***	***OLS***	***Tobit***	***OLS***	***OLS***	**Logit**	**Logit**
Intercept	-0.0874	-0.5488***	-2.1291***	-0.0293	-0.6005***	-1.5499***	-9.0514***	-1.6058
	(-1.59)	(-3.31)	(-4.78)	(-0.46)	(-3.05)	(-2.90)	(-6.65)	(-1.07)
FamilTop10$_{(log)}$	**0.0357*** **	**0.0956*** **	**0.2667*** **	**0.0134***	**0.0297**	**0.1202** **	**0.6272*** **	**0.8119*** **
	(5.20)	**(4.86)**	**(5.20)**	**(1.74)**	**(1.27)**	**(2.05)**	**(3.97)**	**(3.66)**
Age$_{(log)}$	0.0005	0.0163	0.0097	-0.0064	-0.0170	-0.0497	0.0554	-0.3486
	(0.09)	(0.84)	(0.20)	(-0.85)	(-0.74)	(-0.85)	(0.37)	(-1.54)
BoardSize$_{(log)}$	0.0376*	0.3003***	1.1414***	0.0459*	0.4630***	1.3159***	3.6218***	0.4901
	(1.71)	(4.94)	(6.99)	(1.93)	(6.41)	(7.02)	(7.03)	(0.81)
Size$_{(log)}$	0.0105***	0.0226***	0.0760***	0.0089***	0.0198**	0.0610**	0.2515***	0.1627**
	(3.68)	(2.72)	(3.50)	(2.76)	(2.01)	(2.52)	(3.93)	(2.18)
Sale_Growth	-0.0000	0.0000	-0.0000	0.0000	0.0000	0.0000	0.0019	0.0051
	(-0.92)	(0.14)	(-0.94)	(0.13)	(0.57)	(0.25)	(0.51)	(0.99)
OpMargin	0.0126	-0.0122	0.0925	0.0101	0.1056	0.1717	0.6102	1.199
	(0.39)	(-0.12)	(0.37)	(0.25)	(0.84)	(0.55)	(0.75)	(1.14)
DirOwnership	0.0254	0.0705	0.0656	0.0408	0.1554	0.2720	1.1997	1.191
	(0.82)	(0.79)	(0.29)	(1.17)	(1.47)	(1.01)	(1.57)	(1.39)
AC_Factor	0.0071	0.0062	0.0541	0.0135**	0.0558***	0.0960**	0.2577**	0.1516
	(1.47)	(0.46)	(1.47)	(2.55)	(3.47)	(2.43)	(2.54)	(1.07)
Firm Robust	YES	YES	YES	YES	YES	YES	Yes	Yes
Year Dummies	YES	YES	YES	YES	YES	YES	Yes	Yes
IND Dummies	YES	YES	YES	YES	YES	YES	Yes	Yes
Country Dum.	YES	YES	YES	YES	YES	YES	Yes	Yes
N	1091	1091	1091	1091	1091	1091	1083	1076
R-sq (Pseudo R2)	-0.099	0.1088	0.1902	-0.0418	0.082	0.104	0.245	0.1
sigma	0.1098***	-	-	0.1251***	-	-	-	-
	(35.85)	-	-	(46.71)	-	-	-	-

Notes: Busy02_BSize is calculated as the number of directors in a firm that features two or more outside directorships scaled it by board size, Busy$_{(log)}$ natural logarithm of two or more outside directors and Busy02 raw variable of the number of directors in a firm that features two or more outside directorships. We also repeated this for a firm that if the number of directors in a firm that features three or more outside directorships (Busy03_BSize and Busy03$_{(log)}$ and NoDir3); Busy03 is dummy equal to 1 if a firm has more than 3 directorships, otherwise 0 and Busy04 is a dummy equal to 1 if a firm has more than 4 directorships, otherwise 0; FamOwn% is the percentage of the shares own by family on firm capital structure; FamilTop10$_{(log)}$ is natural log of the number of representative directors from big 10 family over the GCC listed firms (see appendix 2); Age$_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; BoardSize$_{(log)}$ is the log of the total number of directors on firm board; Size$_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales

revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income standardized by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three audit committee characteristics including size of AC, independent of audit committee chairman and number of independent directors on AC members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel B: Association between alternative measure of family ownership and busyness:

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Busy_BSize	***Busy$_{(log)}$***	***Busy02***	***Busy_BSize***	***Busy$_{(log)}$***	***Busy02***
	Tobit	**OLS**	**Logit**	**Tobit**	**OLS**	**Logit**
Intercept	-0.1412	-1.2321***	-7.2676***	-0.1698	-1.3699***	4.8967***
	(-1.22)	(-4.36)	(-6.17)	(-1.47)	(-4.89)	(2.89)
Fam_D	**0.0693*** **	**0.1748*** **	**0.7103*** **			
	(3.82)	**(4.03)**	**(4.37)**			
FamMem_D				0.0441***	**0.0847** **	**0.2788** **
				(2.81)	**(2.20)**	**(1.97)**
Age$_{(log)}$	0.0049	-0.0493	-0.2154	0.0083	-0.0234	-0.0486
	(0.37)	(-1.49)	(-1.58)	(0.63)	(-0.70)	(-0.38)
BoardSize$_{(log)}$	0.1595***	1.1657***	3.3650***	0.1604***	1.1828***	3.4165***
	(3.62)	(11.39)	(7.48)	(3.58)	(11.16)	(7.79)
Size$_{(log)}$	0.0297***	0.0697***	0.2044***	0.0304***	0.0724***	0.2189***
	(5.59)	(5.20)	(3.65)	(5.55)	(5.22)	(4.06)
Sale_Growth	-0.0000	-0.0004	-0.0054	-0.0000	-0.0000	-0.0000
	(-0.38)	(-0.57)	(-1.23)	(-0.34)	(-0.43)	(-1.15)
OpMargin	0.0299	0.2071	0.9989	0.0196	0.2958	1.0206
	(0.37)	(1.04)	(1.30)	(0.25)	(1.50)	(1.42)
DirOwnership	0.0316	-0.0537	-0.5090	0.0951	0.3128*	1.3247**
	(0.41)	(-0.28)	(-0.72)	(1.32)	(1.75)	(2.08)
AC_Factor	0.0251**	0.0528**	0.1011	0.0277***	0.0601***	0.1490*
	(2.51)	(2.25)	(1.05)	(2.76)	(2.58)	(1.65)
Firm Robust	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
IND Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Country Dummies	Yes	Yes	Yes	Yes	Yes	Yes
N	1091	1091	1084	1091	1142	1173
adj. R-sq	1.187	0.313	0.163	1.158	0.289	0.1591
sigma	0.2293***			0.2303***		

	(41.38)		(42.00)

Notes: Busy_BSize, $Busy_{(log)}$ and Busy02 are proxies for the multiple outside directorships of board members; Fam_D is a dummy variable that takes a value of 1 if the family own a percentage of shares on firm capital structure and 0 otherwise; FamMem_D a dummy variable that takes a value of 1 if at least two director on the board represents same family ownership and 0 otherwise; $Age_{(log)}$ is the firm age measure as the natural log of the number of years since the firm was established; $BoardSize_{(log)}$ is the log of the total number of directors on firm board; $Size_{(log)}$ is the firm size measure as the natural log of total assets; Sale_Growth is the sales growth measure as the Sales revenues in year t minus sales revenues in year t_1 divided by sales revenue in year t-1; OpMargin is operating margin is annual operating income standardized by total assets; DirOwnership is the number of directors who own more than 5% of firm ownership scaled by board size. AC_Factor is an eigenvalue obtained from three AC characteristics including size of AC, independent of AC chairman and number of independent directors on audit committee members. Each regression is reported using robust t-statistics at the firm level, industry lever and country level.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7: Experience (e.g., Total board experience, Mentoring Experience and Financial Experience) and Family Ownership

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	Exp_BS	***Exp_LN***	***Exp***	***MonExp_BS***	***MonExp_LN***	***MonExp***	***FinExpe_BS***	***FinExp_LN***	***FinExp***
	Tobit	**OLS**	**OLS**	**Tobit**	**OLS**	**OLS**	**Tobit**	**OLS**	**OLS**
Intercept	0.2686	-0.6480***	-8.6851***	0.3372*	-0.3940	-4.1783***	-0.0565	-1.4570***	-2.4347***
	(1.32)	(-3.08)	(-9.53)	(1.81)	(-1.57)	(-5.14)	(-0.38)	(-5.98)	(-4.27)
FamOwn%	**-0.4274*** **	**-0.8188*** **	**-2.8870*** **	**-0.3885*** **	**-1.0420*** **	**-2.8373*** **	**0.0078**	**0.1111**	**-0.0009**
	(-9.55)	**(-9.02)**	**(-6.80)**	**(-9.54)**	**(-8.98)**	**(-7.61)**	**(0.24)**	**(1.05)**	**(-0.00)**
$Age_{(log)}$	0.0186	0.0855***	-0.0056	0.0066	-0.0526	0.0035	-0.0014	0.0104	0.0566
	(1.52)	(3.34)	(-0.05)	(0.60)	(-1.58)	(0.03)	(-0.15)	(0.35)	(0.82)
$BoardSize_{(log)}$	-0.0402	0.8923***	5.0396***	-0.0409	0.7463***	3.0338***	0.0465*	0.7829***	2.0906***
	(-1.08)	(11.80)	(13.40)	(-1.21)	(7.96)	(9.26)	(1.74)	(8.42)	(10.19)
$Size_{(log)}$	0.0168***	0.0281***	0.1708***	0.0172***	0.0546***	0.1496***	0.0007	0.0144	0.0255
	(3.21)	(2.65)	(4.08)	(3.60)	(4.17)	(3.96)	(0.18)	(1.14)	(0.89)
Sale_Growth	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	0.0000	-0.0000	0.0000
	(-0.30)	(-0.28)	(-0.40)	(-0.45)	(-0.36)	(-0.68)	(0.07)	(-0.00)	(0.11)
OpMargin	0.1436**	0.1012	0.5061	0.0026	-0.0692	-0.4642	0.1637***	0.4703***	1.1021***
	(2.12)	(0.74)	(0.93)	(0.04)	(-0.40)	(-0.84)	(3.36)	(2.99)	(2.97)
DirOwnership	-0.0771	-0.2428*	-0.9276**	-0.2113***	-0.2701*	-1.8951***	0.0544	-0.0275	0.0852
	(-1.29)	(-1.91)	(-2.02)	(-3.90)	(-1.65)	(-4.23)	(1.26)	(-0.18)	(0.25)
AC_Factor	0.0130	0.0125	0.1189	0.0012	-0.0023	0.0739	0.0086	0.0127	0.0142
	(1.49)	(0.71)	(1.63)	(0.15)	(-0.11)	(1.09)	(1.37)	(0.62)	(0.30)
Firm Robust	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year Dummies	YES	YES	YES	YES	YES	YES	YES	YES	YES
IND Dummies	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country Dummies	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	897	879	897	897	833	897	897	818	879
R_squre	-	0.397	0.488		0.426	0.417		0.178	0.195
sigma	0.1781***	-	-	0.1626***	-	-	0.1291***	-	-
	(40.34)	-	-	(42.36)	-	-	(42.36)	-	-

Exp_BS: Number of board experience that calculated as sum of Mentoring experience (Chairman and CEO) experiences and Financial Experiences (CFO, Treasurer, controller, head of accounting department, financial analyst, and banking experience) scaled by the board size, ***Exp_LN***: Natural Log. of total board experiences variable; ***Exp:*** *Continuous variable of total experiences;* ***MonExp_BS***: Monitoring experience which consists of: Chairman and CEO experiences (Number of directors with or was chairman or was a CEO prior to join current board); scaled by board size; ***MonExp_LN****; Natural log. of monitoring board experiences;* ***MonExp****:* ***Centurions*** *board monitoring experiences;* ***FinExpe_BS***: Financial experience that calculated as sum of directors that used to be in one of financial position prior to join the current board. Financial positions are CFO, treasurer, controller, head of accounting department, financial analyst, and banking experience) scaled by board size; ***FinExpe_LN:*** *Natural log. of the board financial experiences;* ***FinExpe***: Continuous variable of the board financial experience.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 8: Sensitivity analysis endogeneity test:

	Model 1 Busy_BSize $_t$		Model 2 Busy$_{(log)t}$	
	1st Stage	2nd Stage	1st Stage	2nd Stage
Intercept	-.1758***	-0.1331	-.1758***	-1.5396***
	(-2.87)	(-1.20)	(-4.47)	(-5.59)
Busy_BSize $_t$		**0.6510*** **		
		(2.87)		
Busy$_{(log)t}$				**1.2606** **
				(2.35)
All variables in Main Specification	Yes	Yes	Yes	Yes
Year & Industry & Country Dummies	Yes	Yes	Yes	Yes
Firm Robust	Yes	Yes	Yes	Yes
Observations	1090	1090	1090	1090
Instrumental Variables	Coff.	t-stat	Coff.	t-stat
CSR_Disclosed	0.0303	(3.32)	0.0303	(3.32)
FamOwn_CI	0.7489	(5.97)	0.7489	(5.97)
Post-estimations Test for Instrumental Variables:				
1-Predictive power partial R2				
Robust F-test		0.0574		0.0574
P-value		0.000		0.000
2- Underidentification test				
Kleibergen -paap rk LM statistic		37.817		37.817
P-value		0.000		0.000
3- Weak identification test				
Kleibergen-Paap Wald rk F statistic		21.843		21.843
10% maximal IV size		19.93		19.93
4- Overidentification test				
Hansen J statistic		0.84		2.316
Chi-sq(3) P-value		0.3595		0.1281
5- Endogeneity test				
Durbin-Wu-Hausman tests	6.554		3.513	
Chi-sq(1) P-value	0.0105		0.0609	

Notes: CSR_Disclosed is dummy variable take value of 1 if firm has disclosed about corporate social responsibility activities, 0 otherwise; FamOwn_CI is mean family ownership in country i in each industry.

The notation ***, **, and * denotes statistical significance at the 1%, 5%, and 10% levels, respectively.

Appendix 1: The GCC Corporate Governance Codes and Nomination & Remuneration Committee provisions. Source: the GCC Corporate Governance Codes.

Description	**KSA**	**OMN**	**UAE**	**QTR**	**BAH**	**KUW**
Year of issuance of corporate governance codes	2006	2002	2007	2009	2011	2013
Status of compliance with corporate governance codes	Mandatory	Mandatory	Mandatory	Comply/ Explain	Comply/ Explain	Mandatory from 2016
Nomination committee statues	Nomination and Remuneration committee	-	-	Nomination	Nomination	Nomination
Corporate governance codes provide separate section for Nomination committee provisions	Yes	-	-	Yes	Yes	Yes
Provision for an independent directors on the nomination committee	-	-	-	Majority	Majority	Majority
Size of nomination committee	-	-	-	-	≥ 3	≥ 3
The provisions of the nominations committee has identified the number of external directorships for each member	≤ 5	-	-	-	≤ 3	-
N.C should regularly review the necessary time commitment from each member of boards	Yes	-	-	Yes	Yes	-
Each member of board of directors should inform the N.C about the number of outside directorships or before taking any board appointments in another form.	-	-	-	-	Yes	-
Nomination criteria should recommend by nomination committee for all candidates either by board or shareholders election	Yes	-	-	Yes	Yes	Yes
The relation (experience) with the other board memberships should evaluate by N.C	-	-	-	-	Yes	Yes

Appendix 2: GCC Big 10 families stock market 2008.

Oman	UAE	Bahrain	Kuwait	Qatar	KSA
Al-Shanfari	El-Nahyan	Al-Mashani	El-Kharafi	El-Thani	Al-Rajhi
Al-Rawas	El-Maktoum	El-Khalifa	El-Sabah	Al-Mana	El-Issa
Al-Sultan	Al-Qassimi	Al-Mazrouq	Al-Bahar	Al-Attiya	El-Mady
Al-Lawati	Al-Nuaimi	Al-Meer	Al-Rashed	Al-Saad	El-Saud
Al-Mashani	Al-Mualla	Al-Faivre	Al-Behbahani	Al-Ali	Al-Abanumay
El-Busaidi	Al-Dhaheri	Al-Harthy	Al-Fulaij	Al-Naimi	Al-Faris
Al-Harthy	Al-Mazrouei	Al-Khalili	Al-Ghanim	Al-Mannai	Al-Hakami
Al-Saleh	Al-Qubaisi	Al-Murshidi	Al-Marafi	Al-Mohannadi	Al-Husseini
Al-Zawawi	Al-Suwaidi	Al-Razak	Al-Sultan	Al-Ansari	Al-Omran
Al-Hassan	Al-Otaiba	Al-Yahyai	Al-Nafisi	Al-Sulaiti	Al-Rashid

Source: TNI (2008)