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Financial Performance Metrics in Family vs Non-Family CEOs of Family-Owned Firms

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Abstract

This paper examines the impact of family control on the financial performance of family-owned businesses by analyzing key financial data from 20 firms registered with the Gebze Chamber of Commerce. In this study, the financial performance of family businesses is assessed using Return on Assets (ROA), Return on Sales (ROS), and the Total Debt to Total Assets (TD/TA) ratios. The findings indicate that, while CEOs from family members outperform in terms of ROA, they are less effective compared to non-family member CEOs when considering the TD/TA ratio. In other words, non-family member CEOs tend to outperform family member CEOs when it comes to managing the Total Debt to Total Assets (TD/TA) ratio, indicating stronger performance in maintaining a healthier balance between debt and assets. However, when it comes to Return on Assets (ROA), family member CEOs demonstrate better financial efficiency in generating returns from the company's assets. This suggests that family member CEOs may be more effective in optimizing the use of company resources, while non-family member CEOs exhibit a more cautious approach in managing debt. Furthermore, the analysis reveals that in terms of the Return on Sales (ROS) ratio, there is no significant performance difference between family member and non-family member CEOs. This finding implies that both types of CEOs, regardless of their affiliation with the family, manage profitability relative to sales in a comparable manner. The results are consistent with the hypotheses proposed in this study. There is a clear distinction between the performance of family member CEOs and non-family member CEOs, particularly in terms of ROA and TD/TA ratios. Family member CEOs tend to excel in maximizing asset returns, while non-family member CEOs show stronger performance in managing debt levels. The lack of a significant difference in ROS indicates that both CEO types are equally capable when it comes to maintaining profitability from sales. These findings suggest that the leadership structure in family businesses can influence financial outcomes differently, depending on the specific financial metric being evaluated.

Keywords: Family-Owned Businesses, Financial Performance, CEO Leadership

JEL Codes: G32, M14, L26

1. INTRODUCTION

In recent years, firm performance has become a significant focus in academic research, especially in studies related to family businesses within financial and management literature. Scholars and researchers have employed various approaches to examine this topic, analyzing factors such as family ownership, family control, control-enhancing mechanisms, comparisons between family and non-family businesses, and the differences between founder-led companies and those run by subsequent generations. Previous studies have shown that family-owned businesses often outperform their non-family counterparts in both profitability and financial stability. Additionally, the extent of family control plays a critical role in determining a firm’s performance, particularly with respect to profitability (Allouche et al., 2008). Further research highlights that family firms under the control of their founders tend to operate more efficiently and possess higher market value, as measured by the market-to-book equity ratio, compared to other firms. These founder-controlled companies also typically carry lower levels of debt (McConaughy et al., 2001). On the other hand, Bhagat and Bolton (2008) emphasize that poor firm performance can be linked to the stock ownership of board members and a lack of board independence, suggesting that governance structure significantly impacts business outcomes.

Zahra (2003) demonstrates that family involvement in management significantly influences a firm's internationalization, leading to higher international sales in family-owned companies. Similarly, Chrisman et al. (2004) observed that short-term sales growth in both small family and non-family firms is statistically similar. However, when all other factors are held constant, family firms generally experience faster growth and greater profitability, especially when founding family members are actively involved in management. Lee (2006) supports this by showing that despite their rapid growth, family firms are not necessarily less stable than non-family firms in the long term. Anderson and Reeb (2003) found that family firms, especially those with founding family ownership and a family CEO, consistently outperform non-family firms based on profitability measures. Additionally, family firms with a combination of founding family ownership and either a family or non-family CEO tend to create more market value. The impact of family control on financial performance is an empirical question that this study addresses. This paper is structured as follows: it begins with an introduction, followed by a comprehensive literature review covering topics such as family business governance, family control, and firm performance with respect to financial ratios. Next, hypotheses are formulated, and a model is developed to examine the influence of family and non-family CEOs on the financial performance of family businesses. The study focuses on a sample of 16 family-owned businesses in Gebze, assessing their performance using key financial ratios such

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as Return on Assets (ROA), Return on Sales (ROS), and Total Debt to Total Assets (TD/TA). The methodology and sampling techniques are outlined, followed by the analysis, interpretation, and evaluation of the results. The paper concludes with a discussion of the findings and suggestions for future research. The research seeks to answer the key question: "Does family control impact the financial performance of family businesses in Gebze?"

2. LITERATURE REVIEW

Family businesses play a crucial role in the global economy. Research indicates that only about 30% of family businesses transition successfully to the second generation, with an average lifespan of 24 years, which is notably brief. Despite their economic significance, there is no universally accepted definition of a family business, and scholars have yet to reach a clear consensus. However, common themes across various definitions include content, purpose, and the degree of family influence. Most definitions focus on aspects such as ownership, family involvement, family control, and the intention to pass the business to future generations. Elements like ownership, governance, and trans-generational aspects are often considered for analytical purposes. While some definitions remain open to debate, the core concepts of family involvement and influence are widely recognized as overlapping (Chrisman et al., 2005). Bowman-Upton (2009) offers a simplified definition, stating that a family business is one in which the majority of ownership or control is held by a family. This broad definition aligns family businesses with other types of businesses but emphasizes family control. Churchill and Hatten (1987) define a family-owned business as one that is operated by the founder, with the expectation that a younger family member will eventually assume control from the elder member.

Among the various definitions, Chua et al. (1999) propose a more comprehensive one that encompasses most other definitions in the literature. According to their definition, a family business is governed and/or managed with the intention of shaping and pursuing a shared vision of the business, one held by a dominant coalition controlled by one or several families. This structure is designed to be sustainable across generations, emphasizing the long-term nature of family business governance and vision. Another approach to defining family businesses focuses on key components such as ownership, governance, management, and transgenerational succession. Chrisman et al. (2005) differentiate this definition by emphasizing the family's intent to maintain control, the firm's behavior, and the unique resources that arise from family involvement. Astrachan et al. (2002) expanded the concept by developing the Family Power Experience Culture Scale, which measures family involvement in a business. Their updated definitions incorporate common elements such as family, management, ownership, and business but also include the cultural aspect. The rationale is that over time, a family's distinct culture tends to become intertwined with the business culture, influencing its operations and values.

Thus, the definition of a family-owned business is shaped by all these interconnected elements. It is evident that family businesses represent a complex set of relationships between the family as a whole, individual family members, and the business itself. Olson et al. (2003) highlight that the effective management of the overlap between family dynamics and business operations is critical to the success of family firms, rather than focusing solely on resources or processes within either system. This delicate balance between family and business is what drives long-term success in family enterprises.

Beyond the definitions discussed earlier, the governance system, management structure, and type of leadership play a pivotal role in shaping family firms. The composition of the corporate board and the selection of top executives, such as the CEO, have a significant impact on both the operational and financial performance of family-owned businesses. One of the most pressing challenges for family businesses is ensuring sustainability. Establishing a robust corporate governance system is widely regarded as one of the most effective ways to address this issue. According to Gillan and Starks (1998), corporate governance refers to the system of laws, rules, and factors that govern a company's operations. The core principles of corporate governance—accountability, transparency, fairness, disclosure, and responsibility—are essential to the success of any business, regardless of ownership structure (Gulzar and Wang, 2010). A corporate governance system not only includes the processes, structures, policies, and laws that guide a company's management but also encompasses the board's approach to overseeing the company's operations. It ensures the accountability of board members to both the company and its shareholders. The governance system serves as a framework for managing the company effectively while ensuring that the interests of all stakeholders are protected. In short, the governance system in family businesses refers to the set of structures and processes through which the company is directed and controlled. A well-established governance system helps family businesses achieve long-term success by balancing family interests with business needs, ensuring responsible leadership, and maintaining a transparent and fair operational environment.

The most critical governance mechanism within a firm's internal control system is the structure of its board of directors (Jensen, 1993). In family businesses, high levels of family involvement and long tenures in management are common characteristics. This involvement often results in family-controlled firms having a sharper ability to recognize opportunities and uncertainties, along with a long-term planning approach. Such an approach contributes not only to increased business continuity but also to stronger patience during investment phases, allowing the business to pursue opportunities that build long-term family wealth (Zahra, 2005).

Villalonga and Amit (2006) highlight several key characteristics common to family businesses. One of these is the significant ownership of capital by one or more families. Family members often maintain substantial control over the company, which is closely aligned with the distribution of capital and voting rights, and can sometimes involve statutory or legal constraints. Additionally, family members frequently hold top management positions within these businesses, reinforcing their influence over operations. However, in publicly listed family businesses, a potential downside emerges when family members dominate the board of directors and the CEO role. Studies show that firms where family members control most board seats and hold the CEO position tend to experience lower stock market valuations (Wong et al., 2010). One reason for this is that families often prefer to keep executive positions within their own ranks, which limits the pool of available talent and potentially excludes highly qualified candidates. This restriction can place family businesses at a competitive disadvantage compared to non-family firms. There are two primary concerns when it comes to family CEOs. First, the performance of a family CEO is often magnified within the context of the family business, as their decisions directly affect both the firm's success and the family's wealth. Second, excluding potentially more capable outside CEOs can be costly. In many family businesses, CEO succession is typically passed from one family member to another, which might prevent the company from benefiting from the skills and perspectives of external leaders who could drive further growth and innovation (Anderson and Reeb, 2003).

However, when it comes to board memberships, a study by Barontini and Caprio (2005) indicates that family-controlled firms tend to perform worse than non-family firms if the family is not represented on the board. Arosa et al. (2010) further noted that the presence of independent directors does not necessarily improve firm performance. The value creation within family management appears to be strongest when the founder serves as either the CEO or the chairman, with a non-family CEO leading the firm. In contrast, descendants who take on roles such as chairman or CEO often diminish the firm's value (Villalonga and Amit, 2006). McConaughy and Phillips (1999) support the notion that founder-controlled firms experience faster growth and invest more heavily in capital assets and research and development. However, contrary to Villalonga and Amit's (2006) findings, McConaughy and Phillips found that firms controlled by descendants are, in fact, more profitable. This suggests that the influence of descendants on family business performance may be more complex than previously thought, with profitability being achievable under certain conditions. The concept of sustainability, in a broader sense, relates to the factors that influence the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987). Within the context of family businesses, sustainability encompasses both the business and the family system as a holistic entity. The balance between these two systems is crucial, as jeopardizing one may threaten the overall sustainability of the family business (Danes et al., 2008). Stafford et al. (1999) emphasized that the sustainability of a family business relies on the success of both the business operations and the functionality of the family unit, highlighting the interdependence of these two systems for long-term viability.

The primary challenge in ensuring the sustainability of a family business lies in securing its long-term survival and continuity in terms of ownership, while also maintaining a balance with the need to invigorate the business entrepreneurially and managerially. A family business's ability to thrive depends on the effective use of valuable, rare, inimitable, and non-substitutable resources. These resources—ranging from assets, capabilities, and organizational processes to firm attributes, information, and knowledge—are critical in shaping how well managers build and lead their organizations, which in turn influences overall firm performance (Barney, 1991). The successful utilization of these resources allows a firm to improve its efficiency and implement strategies that lead to greater effectiveness. Performance, in broad terms, refers to the efficiency with which resources are utilized and organizational goals are achieved (Dyer, 2006). This can be measured in both financial and non-financial terms (Neely et al., 2000). Financial performance, in particular, is a key metric that assesses the outcomes of a firm's policies and operations in monetary terms. It reflects how well a company can leverage its assets to generate revenue, providing a general indicator of the firm's overall financial health over a specific period. Without proper performance measurements, including financial ones, firms often lack a clear reference point for evaluating their success and future direction. Firm financial performance is typically measured using two main categories: accounting-based measures and market-based measures. Accounting-based measures rely on historical data and are often considered to have a more backward-looking and internal focus. Despite this, Nicholson and Kiel (2003) argue that Return on Assets (ROA) remains a widely accepted measure of corporate performance in the literature, as it offers insights into how efficiently a company utilizes its assets to generate profit. ROA, along with other performance metrics, continues to play a critical role in evaluating the financial success of a firm over time.

Maury (2006) found that family control is associated with higher firm valuation when examining financial ratios of family businesses. In contrast, Smith and Amoako-Adu (1999) discovered that long-term industry-adjusted Return on Assets (ROA) improves significantly more when non-family insiders or outsiders are appointed, rather than family members. Similarly, Brown and Caylor (2009) observed that having no former CEO on the board is significantly and positively linked to ROA and overall operating performance. However, financial performance tends to suffer when certain conditions arise: first, if ownership or control is either too concentrated or too dispersed; second, when control is exercised without significant ownership stakes; and third, when too many family members clash or drain business resources (Miller and Le Breton-Miller, 2006). While the role of family control in finance has been relatively underexplored, family ownership is often credited with securing business stability and long-term planning (Chahin, 2007). In contemporary literature, researchers frequently use key financial ratios—such as ROA, Return on Sales (ROS), and Total Debt to Total Assets (TD/TA)—to measure family firm performance. Notable scholars like Bhagat and Bolton (2008), Navarro et al. (2011), McConaughy and Phillips (1999), Barontini and Caprio (2005), Anderson and Reeb (2003), and Maury (2006) have all applied these ratios in their research.

Return on Assets (ROA) is a profitability ratio calculated as Net Income divided by Total Assets. It reflects a company's ability to generate income relative to the assets it holds over a given period, typically one year. Return on Sales (ROS) is another profitability ratio, calculated as Net Income divided by Net Sales. ROS measures management's efficiency in converting sales into net income, providing insight into how effectively costs and overheads are managed. Both ratios serve as key indicators of a firm's overall operational and financial efficiency. Total Debt to Total Assets (TD/TA) is a debt ratio used to assess a company's financial risk by determining the proportion of its assets that have been financed through debt. It provides insight into the company's leverage and ability to meet its financial obligations. A lower TD/TA ratio is generally considered more favorable, as it indicates that a smaller portion of the company's assets is funded by debt, reducing financial risk and making the company more stable in the long run. Conversely, a higher ratio suggests greater reliance on debt, which could increase the company's vulnerability to financial challenges.

3. METHODOLOGY

A total of 60 companies registered with the Gebze Chamber of Commerce were contacted for interviews via telephone. However, 40 companies declined to participate, citing corporate confidentiality policies and their reluctance to share key financial information. The remaining 20 companies agreed to participate, and face-to-face interviews were conducted with their CEOs. All 20 companies interviewed are family-owned businesses. Of these, 8 companies have 51% or more of their shares owned by a single family, while the other 12 companies are fully owned by a single family. Regarding CEO leadership, 4 companies are led by non-family member CEOs, whereas the remaining 12 have family members serving as CEOs. The financial data used in this study were collected from the fiscal years 2008-2010. The study employs the Mann-Whitney test to analyze the data. Return on Assets (ROA), Return on Sales (ROS), and Total Debt to Total Assets (TD/TA) were selected as the dependent variables, while the CEO type—family member or non-family member—served as the independent variable. Diagramme I illustrates the impact of having a family member CEO versus a non-family member CEO on the financial performance of these family businesses.

4. RESULTS

Table 1: Descriptive Statistics

Variables	Abbreviations	Mean	StDev
Family member CEO Total Debt / Total Assets	Fmem CEO Debt Assets	1,216	0,523
Family member CEO Return on Sales	Fmem CEOROS	0,1867	0,2176
Family member CEO Return on Assets	Fmem CEOROA	1,600	0,802
Non Family member CEO Total Debt / Total Assets	Non Fmem CEO Debt Assets	0,0950	0,0900
Non Family member CEO Return on Sales	Non Fmem CEOROS	0,03250	0,01258
Non Family member CEO Return on Assets	Non Fmem CEOROA	0,428	0,531

This table 1 presents a comparison of key financial metrics between companies led by family member CEOs and those led by non-family member CEOs. The financial ratios analyzed include leverage, measured as the proportion of debt to assets, and two profitability metrics: return on sales (ROS) and return on assets (ROA). For companies with a family member serving as CEO, the data indicates that these firms tend to have a higher reliance on debt to finance their operations. This suggests that family-led companies are more comfortable with taking on financial risk through debt. Additionally, these firms demonstrate stronger profitability, both in terms of the percentage of profit generated from sales and the efficiency with which they use their assets to generate returns. However, there is some variability in performance, as indicated by the range in the data. On the other hand, companies with non-family member CEOs exhibit a much lower level of debt in relation to their assets, indicating a more conservative financial approach. These firms show lower profitability, both in terms of returns on sales and returns on assets, suggesting that they are not as efficient in converting their sales and assets into profits. Despite the lower profitability, there is more consistency in performance among these firms, as the variation in financial metrics is smaller compared to family-led companies. In short, companies with family member CEOs appear to take on more debt and achieve higher profitability, though their performance varies more widely. In contrast, non-family-led companies tend to be more conservative in their use of debt and have lower but more consistent profitability.

There is a significant difference in the Return on Assets (ROA) between companies with family member CEOs and those with non-family member CEOs. This conclusion is supported by the descriptive statistics shown in Table 1, where the ROA for companies with family member CEOs is 1.6, compared to 0.428 for non-family member CEOs. When comparing the Total Debt to Total Assets ratio, the descriptive statistics indicate that companies led by family member CEOs have a ratio of 1.216, whereas companies with non-family member CEOs have a significantly lower ratio of 0.0950. The difference is statistically significant at a 0.0064 significance level, meaning that the Total Debt to Total Assets ratio is notably higher for family member CEOs. Lastly, regarding the Return on Sales (ROS) ratio, the data suggests no significant difference between companies with family member CEOs and those with non-family member CEOs. The significance level for this comparison is 0.2994, indicating that the ROS values between the two groups are statistically similar.

This table 2 presents the results of a Mann-Whitney test, which compares the return on assets (ROA) between companies with family member CEOs and those with non-family member CEOs. The test is used to assess whether there is a significant difference in the efficiency with which these two types of firms use their assets to generate returns. The data shows that companies led by family member CEOs tend to have higher ROA compared to those with non-family member CEOs. This suggests that family-led firms may be better at utilizing their assets to generate profits. The point estimate for the difference between the two groups indicates that, on average, family-led firms outperform non-family-led firms in this regard. Moreover, the confidence interval provided in the analysis indicates that the difference between the two groups is statistically significant. This means that the higher ROA observed in family-led companies is unlikely to be due to random chance and reflects a meaningful difference in performance between the two types of firms. The test result confirms that the difference in ROA between family-led and non-family-led companies is significant. This suggests that family-led companies, on the whole, are more effective at generating returns from their assets, highlighting a potential advantage in their management practices or decision-making approaches.

Table 2: Mann-Whitney Test and CI

Fmem CEOROA, Non Fmem CEOROA

	N	Median
Fmem CEO ROA	16	1,760
Non Fmem CEO ROA	4	0,245
Point estimate for ETA1-ETA2 is 1,400		
95,5 Percent CI for ETA1-ETA2 is (0,121;1,880)		
W = 120,0		
Test of ETA1 = ETA2 vs ETA1 not = ETA2 is significant at 0,0338		

The findings suggest that family member CEOs tend to perform better in terms of the ROA ratio, indicating greater efficiency in generating returns from the company's assets. However, they are less successful in managing the Total Debt to Total Assets ratio, which could be attributed to a tendency to engage in more aggressive investments aimed at securing the company's future growth. On the other hand, non-family member CEOs show less success in the ROA ratio, potentially reflecting a more conservative approach to maximizing asset returns. However, they outperform family member CEOs in managing the Total Debt to Total Assets ratio, likely due to their cautious attitude toward borrowing, focusing on maintaining a more balanced and sustainable financial structure.

Table 3: Mann-Whitney Test and CI

Fmem CEO Debt Assets, Non Fmem CEO Debt Assets

	N	Median
Fmem CEO Debt Assets	16	1,2850
Non Fmem CEO Debt Assets	4	0,0700
Point estimate for ETA1-ETA2 is 1,2350		
95,5 Percent CI for ETA1-ETA2 is (0,5699;1,6400)		
W = 125,0		
Test of ETA1 = ETA2 vs ETA1 not = ETA2 is significant at 0,0064		

This table 3 presents the results of a Mann-Whitney test that compares the leverage, specifically the debt-to-assets ratio, between companies led by family member CEOs and those led by non-family member CEOs. The debt-to-assets ratio is a measure of how much of a company's assets are financed through debt, providing insight into the company's financial structure and risk tolerance. The results show that companies with family member CEOs tend to have a much higher debt-to-assets ratio compared to those with non-family member CEOs. This suggests that family-led firms are more likely to rely on debt financing, possibly reflecting a greater willingness to take on financial risk in pursuit of growth or other objectives. The point estimate for the difference between the two groups indicates that the leverage used by family-led companies is substantially higher than that of non-family-led firms. The confidence interval further supports this finding, showing that the difference between the two groups is statistically significant. In other words, this difference is unlikely to be due to chance, reinforcing the conclusion that family-led companies are more heavily financed by debt. The test confirms that the difference in debt usage between the two types of companies is significant. This indicates that family-led firms, on average, have a more aggressive financial structure, with higher levels of debt relative to their assets, compared to firms led by non-family member CEOs.

This table 4 presents the results of a Mann-Whitney test comparing the return on sales (ROS) between companies led by family member CEOs and those led by non-family member CEOs. Return on sales is a measure of profitability, indicating how much profit is generated per unit of sales. The data indicates that companies with family member CEOs tend to have a higher median return on sales compared to those led by non-family member CEOs. This suggests that family-led firms may be slightly more profitable when it comes to converting sales into profit. However, the difference between the two groups, while present, is not very large. The point estimate for the difference in return on sales between the two groups suggests a small advantage for family-led firms. However, the confidence interval includes both positive and negative values, indicating that the difference is not statistically significant. This means that, while family-led firms may have slightly higher profitability, this difference could be due to random chance rather than a true underlying difference in performance. The Mann-Whitney test results further confirm this, as the p-value shows that the difference is not statistically significant. In conclusion, while family-led firms may have a slight edge in terms of return on sales, this difference is not strong enough to suggest a meaningful or consistent advantage over non-family-led firms.

Table 4: Mann-Whitney Test and CI

Fmem CEOROS, Non Fmem CEOROS

	N	Median
Fmem CEOROS	16	0,0800
Non Fmem CEOROS	4	0,0300
Point estimate for ETA1-ETA2 is 0,0500		
95,5 Percent CI for ETA1-ETA2 is (-0,0199;0,5000)		
W = 111,0		
Test of ETA1 = ETA2 vs ETA1 not = ETA2 is significant at 0,3026		
The test is significant at 0,2994 (adjusted for ties)		

5. CONCLUSIONS

Family businesses are the most prevalent type of business organization globally, playing a crucial role in the economic landscape of nearly every country. What sets family businesses apart from those owned by diverse shareholders is their unique structure, where family involvement in ownership, management, and governance often creates a blend of emotional and financial ties. This dynamic leads to distinct characteristics that influence the way these firms operate. Family businesses are often characterized by long-term orientation, strong loyalty to the company’s legacy, and a focus on preserving wealth for future generations. These attributes can lead to better decision-making and a commitment to sustained growth, often resulting in higher efficiency and profitability compared to non-family-owned firms. One of the most critical factors for the sustainability of family businesses is their financial performance. Strong financial performance ensures that family businesses can weather economic downturns, reinvest in new opportunities, and support the next generation of leadership. Profitability, liquidity, and debt management are key indicators of how well a family business is performing, and they often reflect the firm’s ability to maintain its competitive edge and continue operating across generations. Despite the global importance of family businesses, research on the relationship between family control and financial performance in specific regions remains limited.

In Turkey, where family-owned firms make up a significant portion of the private sector, there has been little academic focus on how family control affects the financial outcomes of these businesses. This lack of focus creates a significant gap in the literature, especially given the vital role that family businesses play in the Turkish economy. This article seeks to address this gap by examining the relationship between family control and financial performance in Turkish family businesses. By analyzing key financial metrics such as Return on Assets (ROA), Return on Sales (ROS), and Total Debt to Total Assets, the study aims to provide a deeper understanding of how family involvement in management and governance affects the firm’s financial health. It also explores whether family control leads to better performance outcomes compared to non-family-owned firms, offering insights into the unique advantages and challenges faced by family businesses in Turkey. Through this research, the article contributes to the growing body of literature on family business dynamics and provides valuable implications for both academics and practitioners in the field of family business management.

In this study, financial data from the fiscal years 2008-2010 were collected from the participating companies. The analysis focused on examining the differences in financial performance between companies led by family member CEOs and those led by non-family member CEOs. Specifically, the study found significant differences in the Return on Assets (ROA) and Total Debt to Total Assets ratios between the two groups. These findings suggest that family member CEOs and non-family member CEOs influence a company’s financial structure and profitability in distinct ways. To assess these differences, the Mann-Whitney test was employed as a statistical method for evaluating the effects of family member and non-family member CEOs on the financial performance of family businesses. The results confirmed that family member CEOs outperformed their non-family counterparts in terms of ROA, indicating better asset utilization. On the other hand, non-family member CEOs managed debt more conservatively, as reflected by a significantly lower Total Debt to Total Assets ratio. However, when it came to the Return on Sales (ROS) ratio, no significant difference was found between family member and non-family member CEOs. This indicates that both types of leadership—whether family-involved or external—have a similar impact on the company’s ability to convert sales into profits. Overall, these findings provide insight into how leadership structure in family businesses can influence different aspects of financial performance.

The model developed in this study can be further enhanced by incorporating additional significant financial ratios to improve predictive accuracy and provide a more comprehensive analysis of family business performance. Expanding the range of financial indicators could offer deeper insights into various aspects of financial health, such as liquidity, efficiency, and profitability. To strengthen the findings, the following recommendations are suggested: increasing the sample size and conducting a nation-wide sampling to improve generalizability. Additionally, the use of more comprehensive financial data, such as market value analysis, and extending the period for financial data collection would offer a better understanding of long-term trends and fluctuations in family business performance. For future research, several key areas warrant further exploration. One avenue could involve comparing financial performance between family businesses run by founders and those managed by second or later generations. This would provide insights into how leadership transitions within family businesses affect financial outcomes. Another important comparison would be between family businesses and non-family businesses in terms of financial performance, which could highlight any competitive advantages or disadvantages specific to family ownership structures. Despite the critical role family businesses play in the Turkish economy, there is a noticeable gap in the literature focusing on this subject. Only a limited number of studies examine family businesses in Turkey, making it essential to investigate various components and characteristics of family-owned firms. Given their significant impact on the economy, further research into Turkish family businesses will not only enrich the academic literature but also provide practical insights for business owners and policymakers.

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