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Socioemotional wealth and internal audit in family firms: trade-off between economic and non-economic goals

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Abstract:

The paper considers that the internal auditing role in family firms is unique owing to the overlap and ambiguity of roles between the family and the firm. Besides, family firms' characteristics seem to influence the internal audit role. In this context, internal auditing must effectively deal with the factors leading to conflict in family firms.

The study aims to emphasize the interpretation of the internal audit role in family businesses, and the article suggests a specific role for the internal audit that is the trade-off between economic aspirations and socioemotional wealth dimensions.

In order to achieve this objective, a questionnaire was prepared and distributed to internal auditors, chief financial officers, and certified public accountants of Algerian family businesses. The results reveal that the cognitive role had the highest mean score (3.04), followed by the trade-off between economic and non-economic goals (2.79) and the disciplinary role (2.64).

Key words: internal audit, family firm, conflict, socioemotional wealth

JEL Classification Codes: G38, G41, M42 .

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Introduction :

In both developed countries and emerging economies, family firms are the common type of organization (Basco, 2018; Adjei & al, 2019). Indeed, families hold a substantial percentage of listed firms across the world, and they exist in all size categories, from very tiny, small, and medium to big companies (Basco & Ricotta, 2021). The importance of family businesses is widely recognized. According to current data, they account for between 65 and 90 percent of all firms in the world (Hirigoyen, 2014). Family business importance has evolved over time, and its engagement in economic operations has been a frequent phenomenon since pre-industrial cultures (Basco, R. et al, 2021). PwC's worldwide study of 2,801 family companies in 87 territories, conducted between October 5 and December 11, 2020, affirms their durability, financial strength, and optimism. In point of fact, 79% say they needed no additional capital in 2020, and 64% expect to grow in 2021 (PwC, 2021). Despite the fact that family firms are the most common type of business in the global economy, before 1975, research in this field was rather limited. Since then, studies have widened and progressed beyond early arguments on the overlap of family and business, as well as the tensions that ensued (Handler, 1989). Furthermore, several methodological problems face family business research. The first and most obvious issue for a researcher in this field is to define what is a family company (Ward, 2011). There is currently no agreement on what defines a family business. Indeed, numerous theorists have focused on the degree to which family firms are owned and/or managed by family members (Handler, 1989). At first sight, the term "family business" can obviously refer to a wide variety of organizations and could be interpreted as a company which, in practice, is controlled by members of one family (Barry, 1975). Others describe it in terms of family involvement (e.g., Beckhard & Dyer, 1983b; Davis, 1983; Kepner, 1983; Lansberg, 1983b) or the possibility for generational transmission (e.g., Churchill & Hatten, 1987; Ward, 1987). Ward (2011), besides, defines a family business as one that will be managed and controlled by the family's next generation. Given the importance of family-owned firms in the global economy, the issue of their performance becomes even more relevant. According to recent studies, three out of four business leaders believe that internal auditing helps enhance firms' efficiency (Bertin, 2014). In this respect, it seems wise to question the link between internal audit function and family firms' governance. It's worth recalling that the internal audit is defined by The Institute of Internal Auditors as: "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." (IPPF, edition 2017). It should be noted that this definition, which is designed to accommodate the profession's expanding role and responsibilities, calls into question the one proposed by the same institute in 1989, concluding that the old terminology failed to adequately reflect the evolution of internal audit practice or to effectively promote the profession (Ramamoorti, 2003). To that aim, the internal auditors play a consultancy role in problem-solving in addition to their role of making recommendations. In other words, the internal audit assures the availability of objectives, adequate resources to fulfill them, and an information system to measure them (Renard, 2017). The internal audit appears both as a fundamental mechanism of corporate governance and a function that creates value (Bertin, 2014).

We presume that the internal auditing role in family firms is unique owing to the overlap and ambiguity of roles between the family and the firm as well as the stakeholders, and the resultant conflicts. In this context, internal audit as a conflict resolution instrument, must effectively deal with the factors leading to conflict in family firms. Furthermore, it appears that the characteristics of family businesses influence the role that internal audit could play in these firms, such as the ownership structure, the proportion of non-family management, the family culture, the involvement of the same family both within management and on the board, etc.

In this regard, the purpose of the paper is to emphasize, on the one hand, the use of internal audit by family businesses and, on the other, how do family businesses interpret the role of internal audit, is it seen as a disciplinary role or cognitive role? Does it play a specific role, regarding family firms characteristics, which is the trade-off between economic aspirations and the dimension of socioemotional wealth?

Based on this guiding question, this study seeks to test the following hypotheses:

H1 Family businesses interpret the internal audit's role as a mechanism for restraining opportunistic behavior;

H2 Family businesses interpret the internal audit's role as a knowledge provider mechanism that promotes learning.

H3 Family businesses interpret the internal audit's role as mechanism for reducing decision-making bias

The research depended on the method of analytical statistics. The data used in this study were collected through a questionnaire of a sample of family businesses.

The remainder of this paper is organized as follows. Section one briefly describes the traditional role of internal audit in family businesses. Section two provides the literature review of the internal audit's specific role in family firms and the socioemotional wealth dimension. Section three outlines the research method used, followed by section four that provides the empirical results.

1. The internal audit's traditional role in family firms

Internal audit can just as easily be part of a governance mechanism in a contractual approach as in a cognitive approach (Godowski, 2007). Internal audit's traditional role is reflected by its ability to function as both a disciplinary body (contractual approach) and a knowledge provider (cognitive approach). In light of agency theory and stewardship theory, it seems that in businesses where agency conflicts are significant, the dominant role of internal audit would be disciplinary. While in companies where managers behave as stewards, the role of internal audit would be rather cognitive (Bertin, 2014).

1.1. The disciplinary role of internal audit

The agency theory (Jensen & Meckling, 1976) and the stakeholder agency theory (Hill & Jones, 1992) provide a resilient conceptual framework for explaining the demand for the internal audit and suggest both bonding and monitoring roles in family businesses. Indeed, the internal audit can serve as an answer to agency costs as a monitoring mechanism (Anderson et al, 1993; DeFond,1992). In addition, family members usually hold important positions on both the management team and the board of directors (Wang, 2006). Therefore, the information asymmetry would be greater between the founding families and the other shareholders. Recent research has inferred that unlisted family businesses are more prone to agency conflicts. On the one hand, this can be by the fact that members are not a group with similar interests (Sharma et al, 1997). On the other hand, family relationships make agency problems more difficult to address due to self-control and other issues related to altruism (Schulze et al, 2001). Altogether, family firms may demand auditing for disciplinary reasons to monitor (monitoring expenditures) or bond (bonding expenditures). To monitor, when the costs of the internal audit function are supported by non-family owners (the principal) to ensure that the family owner-managers (the agent) are running the business properly; or when they are supported by family owners (the principal) to limit the aberrant activities of the agent (nonfamily managers). Bonding occurs when the majority of family owners bear the costs of the internal audit to demonstrate to the minority owners (nonfamily) that their interests are protected; or when non-family managers (the agent) expend resources (bonding costs) to guarantee that he will not take certain actions which would harm the family owners (the principal). The internal audit’s disciplinary role may be applied with the same logic to management, as principal, vis-à-vis employees as agents.

1.2. The cognitive role of internal audit

The cognitive role of internal audit in family businesses can be interpreted based on stewardship theory and the resource-based view of the firm. Unlike agency theory, stewardship theory asserts that agents are not driven by individual goals and selfish behavior, but rather are stewards whose incentives are aligned with the interests of their principal (Davis et al, 1997). Indeed, for family members, the business is part of their common legacy and is sometimes the family's most valuable asset. Even if family members do not share the same viewpoints, the difficulties of operating the business are dependent on the family's common goals (Arregle et al, 20007). As for the "Resource-Based View", the firm is a set of resources and skills that are led by the leaders' vision. The firm resources can be divided into four categories (Habbershon & Williams, 1999): physical capital resources, human capital resources, organizational capital resources, and process capital resources. As such, Habbershon & Williams (1999) define family business resources as “familiness” which refers to the unique set of resources possessed by certain firms as a result of systems interaction between the family, its members, and the business. For instance, family managers provide better information or knowledge, strong social capital, or even lower agency costs (Bertin, 2014). From a cognitive approach, the family firm is assimilated to a portfolio of knowledge, skills, and expertise, allowing cognitive costs to be reduced (Parrat, 2014). It should be noted that cognitive cost refers to the costs resulting from a mutual misunderstanding between managers and other stakeholders (Wirtz, 2006). Following Jensen & Meckling's (1976) example of agency costs, it is also conceivable to identify three main categories of cognitive costs, namely: mentoring costs, conviction costs, and residual cognitive cost (Wirtz, 2006). In that case, internal audit, as an impartial and objective activity, appears to be both a mentorship and a conviction mechanism, helping organizations to reduce knowledge asymmetry between managers and other stakeholders. Therefore, the internal audit is seen as a provider of information and knowledge to family owner-managers by ensuring them (that the business is on the verge of reaching its goals and that the interests of other stakeholders will be met) and advising them (to improve control of operations and to help them maximize organizational wealth.), via its assurance and consulting activity (Bertin, 2014).

2. The internal audit’s specific role in family firms

The aforementioned theories, particularly agency, stewardship, and RBV “Resource-Based View”, explain the traditional role of internal audit in family businesses. Despite their interest, they appear to have certain shortcomings in the understanding of the family business's peculiarity and their interpretation of the internal audit’s role in it.

As a matter of fact, it is worth considering whether the internal audit might contribute to the trade-off between economic goals and socioemotional dimension in a way that makes the managerial decisions unbiased. Hence, the specific role envisaged for the internal audit in the context of family businesses. In this respect, internal auditors must assess, in their approach, the risks and opportunities created by family leaders' focus on socioemotional wealth (Bertin, 2014).

2.1. Socioemotional wealth preservation in family firms: risks and opportunities

Some authors in the family business area have advocated the socioemotional dimension (such as Gomez-Mejia et al, 2007; Gomez-Mejia et al, 2010; Berrone et al, 2010; and Gomez-Mejia et al, 2011), which they have named the "socioemotional wealth model -SEW". As stated by the SEW model, family businesses are usually focused and devoted to preserving their socioemotional wealth, which refers to family owners' non-financial or affective endowments. In this view, the profits and losses of socioemotional wealth serve as the fundamental framework for family businesses while making strategic and managerial decisions (Berrone et al, 2012). That said, beyond concerns of efficiency or economic goals, key managerial decisions will be motivated by a desire to protect and improve the family's socioemotional wealth (Gomez-Mejia et al, 2011). In the context of the family-owned business, family wealth is inextricably linked to the socioemotional wealth obtained by the family via control of the firm. For that matter, family owners assess how actions would have an impact on their socioemotional wealth. Once their SEW is threatened, the family would be willing to put the firm at risk by making decisions based on non-economic rationality, if this is what it would take to preserve that SEW (Berrone et al, 2012). Furthermore, according to Gomez-Mejia et al. (2011), family businesses are a distinct organizational form in which noneconomic factors play a significant role in decision making and strategic choices. The authors examined these choices along many conceptual dimensions that cover the majority of key organizational decisions. These dimensions include management processes, strategic decisions, organizational governance, stakeholder interactions, and business venturing. Moreover, Berrone et al. (2012) argue that previous research may be used to extract five core features of the SEW, namely: family control and influence, identification of family members with regard to the company, Binding social ties, emotional attachment, and the continuity of a family dynasty. All of these characteristics imply that SEW preservation is a means to an end. The achievement of this goal involves sustained family control of the business. Regardless of financial considerations, the loss of socio-emotional wealth implies a diminished status and a failure to meet family expectations (Gomez-Mejia et al., 2007). Considering its critical utility for family owners, any threat to socioemotional wealth indicates that the family is in a loss mode, and as a result, the family will make strategic decisions to avoid potential SEW losses, often at the expense of the interests of other stakeholders. Indeed, for family business owners, risk aversion to socioemotional endowment takes precedence over risk aversion to financial losses (Berrone et al, 2012). To put it another way, family businesses are more likely to tolerate the risk of slowdowns, which may lead to the business's failure, in order to avoid losing socioemotional endowment. This behavior may result in high agency costs for non-family owners (minority) or outside stakeholders (Bertin, 2014). However, it is widely acknowledged that family businesses can have both economic and non-economic goals. In fact, if the owners choose to reallocate their resources to pursue non-economic goals, and non-family managers agree, there may be a decline in economic performance without any agency costs. Yet, the pursuit of utility that incorporates non-economic considerations somehow doesn't lead to economic inefficiency (Chrisman et al., 2004). To offer an overview, Eaton et al. (2002) provided theoretical results demonstrating how this may lead to a competitive advantage for a family-owned business. In the same train of thought, when investments generate both monetary and non-monetary returns, the monetary return will be lower since the holders of these investments will receive additional compensation through the non-monetary return (Chrisman et al., 2004). In short, studies indicate that agency issues arise when the family members seek to preserve their SEW at the price of interests of other stakeholders, this could therefore lead to the entrenchment of family owners, malfunction in relationships, and conflicts during succession.

2.2. The internal audit role in the dimension of socioemotional wealth

From the standpoint of the evolution of internal audit's ambitions and scope, it seems that this new dimension of the internal audit, the trade-off between economic goals and SEW dimensions, represents the function's ultimate stage of development. In which the internal audit is prompted to take into account the risks and opportunities created by the desire of family business owners to preserve their socioemotional wealth. It is important to note that the presence of an internal audit in an organization does not limit the freedom of choice and decision-making by the top management. On the other hand, observing the choices and decisions, comparing them, measuring their consequences, and drawing attention to risks or inconsistencies is an internal auditing matter (Renard, 2017). For that matter, the internal auditor, through its analysis of risks of all sorts, is able to incorporate the socioemotional wealth model into its reasoning as long as he is aware of the unique characteristics of family businesses. Furthermore, the focus of family members on SEW may have an impact on corporate governance and culture, as well as create risks that must be identified and assessed (Bertin, 2014). In this case, the role of internal audit is to assess how the priority placed on socioemotional wealth affects corporate governance. It is worth noting that Bertin (2014) used the expression "internal environment" to describe the effect of focusing on SEW on the internal environment while relying on the COSO (2004) ERM framework. We believe it is more appropriate to use the expression "governance and culture," which corresponds to one of the five interdependent components of ERM framework proposed by COSO in 2017. The five updated components are based on a set of principles that range from governance and culture to reporting (see figure 1).

The first component of the reference framework is hence governance and culture. According to COSO (2017), governance sets the tone of the organization by emphasizing the significance of risk management and defining the monitoring responsibilities for this process. The culture pertains to the entity's ethical values, desired behaviors, and risk understanding. Internal auditing can assess how this component is affected by the emphasis given to SEW. In this respect, internal audit, through its assurance and consulting activity, has the necessary skills to help identify (Bertin, 2014):

- The inherent risks in each of the strategic decisions, particularly, the risk in terms of loss of SEW and the risk in financial and economic terms as well as their consequences;
- Which stakeholders are likely to benefit from strategic decisions based on the socioemotional wealth preservation;
- Under what condition the emphasis on socioemotional wealth is beneficial or detrimental to the performance of the company.

Figure 1: The five interrelated components of ERM

Source: adapted from COSO-ERM, copyright (2017)

Apart from this, internal auditing may be viewed as a mechanism that contributes to the debiasing of managerial decisions as part of a behavioral governance approach. According to this approach, the governance system is made up of all the mechanisms that allow for the decrease of decision-making bias or correct the consequences of bias (Charreaux, 2011). In the same vein, Charreaux summarizes two criteria in order to classify behavioral biases, namely: cognitive/emotional and individual/collective (Charreaux, 2005). The first distinguishes between cognitive biases (Errors in comprehension committed by leaders) and emotional biases (decision-making errors committed as a result of emotions). The second criterion distinguishes between the individual biases associated with decisions made individually in isolation and the collective biases that emerge when decisions are taken in a collective context.

3. Research method

The research depended on the method of analytical statistics and analysis of content. The data used in this study were collected through a questionnaire sent to chief audit executives (CAEs), chief financial officers (CFOs), internal auditors of some Algerian family businesses which have internal audit functions. As well as the external auditors in case the business employed external accounting firm to conduct internal auditing. The statistical descriptive style analysis technique also the content analysis has been used to achieve the objective of the study. The survey questionnaire contains two parts, first part included demographic characteristics, the second part covers the responders' commitment, each set questions formed a field paragraph, which covers the questions of the study. Before administering the questionnaire, we ran a pre-test with three academics based in Algerian Universities and Aix-Marseille University as well as some CAEs. The feedback led to improvements in construction and understandability of the questionnaire survey. A four-Likert scale was adopted to reflect the opinions of respondents on each section contained in the questionnaire, with weights assigned (4) for the situation strongly agree, (3) for agree, (2) for disagree, and (1) for Strongly Disagree. The internal reliability of the scale used in this research was measured with Cronbach's Alpha. Were reached (,771), which indicates good level of internal consistency for our scale (Sekaran & Bougie, 2016). In the quarterly analysis of questionnaire responses, the arithmetic mean, standard deviation, and percentages were used for analysis. The paper seeks to test the following hypotheses:

H1 Family businesses interpret the internal audit's role as a mechanism for restraining opportunistic behavior;

H2 Family businesses interpret the internal audit's role as a knowledge provider mechanism that promotes learning.

H3 Family businesses interpret the internal audit's role as mechanism for reducing decision-making bias

4. Empirical results

The data subject to analysis comprised 56 Algerian family businesses which represent the number of questionnaire valid for analysis. The study reports findings drawn from three sections of the questionnaire: Respondents' demographic information, age, qualifications, professional certificate, and experience. Background of the business, industry, number of employees current ownership and management gauges: proportion of family ownership, generation of ownership, and proportion of family management. Interpretation of internal audit's role in family businesses. Tests of responses revealed that the majority of participants held master's degrees (59 percent). However, only (7 percent) held a professional internal auditing certification (CIA & DPAI) and (25 percent) have other professional certificates such as certified public accountant. Approximately, (61 percent) of the respondents had more than ten years of work experience (see Table 1).

Table 1. Respondents' Demographic Information

Variable	Items	Frequency	Percent
Age	20-30	11	19,6
	31-40	29	51,8
	41-50	9	16,1
	> 50	7	12,5
Qualification	High School	2	3,6
	Bachelor's Degree	12	21,4
	Master's Degree	33	58,9
	PhD	9	16,1
Professional certificate	None	38	67,9
	CIA	2	3,6
	DPAI	2	3,6
	Other	14	25,0
Experience	< 5 years	12	21,4
	5-10 years	10	17,9
	> 10 years	34	60,7

Source: SPSS results

The study sample consists of 56 observations of family businesses operating in Algeria, including 85,7 percent using the services of internal audit, whether by employing permanent staff members, or outsourcing. 66 percent of respondents work for businesses that employ more than 250 employees. A further breakdown of respondents by industry demonstrates that our respondents are overrepresented in the manufacturing industry;

and overrepresented in family businesses where the family members, mostly of first generation, own more than 50 percent of shares.

Table 2. Family business sample

Variable	Items	Frequency	Percent
Country	Algeria	56	100,0
Industry	Agriculture	11	19,6
	Retail & Wholesale trade	12	21,4
	Construction	14	25,0
	Manufacturing	34	60,7
	Services	26	46,4
	IT	7	12,5
	Other	2	3,6
Employees	< 50	5	8,9
	50-250	14	25,0
	>250	37	66,1
Proportion of family ownership	1%-25%	4	7,1
	26%-50%	8	14,3
	51%-75%	16	28,6
	76%-100%	28	50,0
Family management	Yes	30	53,6
	No	26	46,4
Generation of family owners	1st generation	33	58,9
	2nd generation	11	19,6
	3rd generation	10	17,9
	Other	2	3,6
Internal Audit	Yes	48	85,7
	No	8	14,3

Source: SPSS results

The disciplinary role of internal audit: four items were used to reflect the disciplinary role of internal audit. In table (3) below are provided the results of the questionnaire concerning the level of agreement given by respondents to each item. According to the findings, the vast majority of responders consider that internal audit mitigates conflicts of interest and information asymmetry in terms of: Control of relations between family owners and non-family managers (2,73); Control of internal relations between managers and employees (3,04). But the respondents disagreed that internal audit Control of relations between family owners and non-family owners. The arithmetic means of the respondent's answers of this field are above the overage (2,64), and the standard deviations were (0,83).

Table 3. Items determining the disciplinary role of internal audit.

Items	Mean	Std. Deviation
Control of relations between family owners (majority) and non-family owners (minority)	2,25	0,934
Control of relations between family owners and creditors	2,54	0,824
Control of relations between family owners and non-family managers	2,73	0,818
Control of internal relations between managers and employees	3,04	0,743
Total field	**2,64**	**0,83**

Source: SPSS results

The cognitive role of internal audit: Three items were used to reflect the cognitive role of internal audit. The findings of the questionnaire about the level of agreement given by respondents to each item are reported in Table (4) below. According to the findings, the vast majority of responders consider that internal audit, through its assurance and advisory missions, reduces cognitive conflicts and knowledge asymmetry via all the items of this field as they got scores above the overage. The arithmetic means of the respondent's answers of this field are high reached to (3,04), and the standard deviations were (0,746).

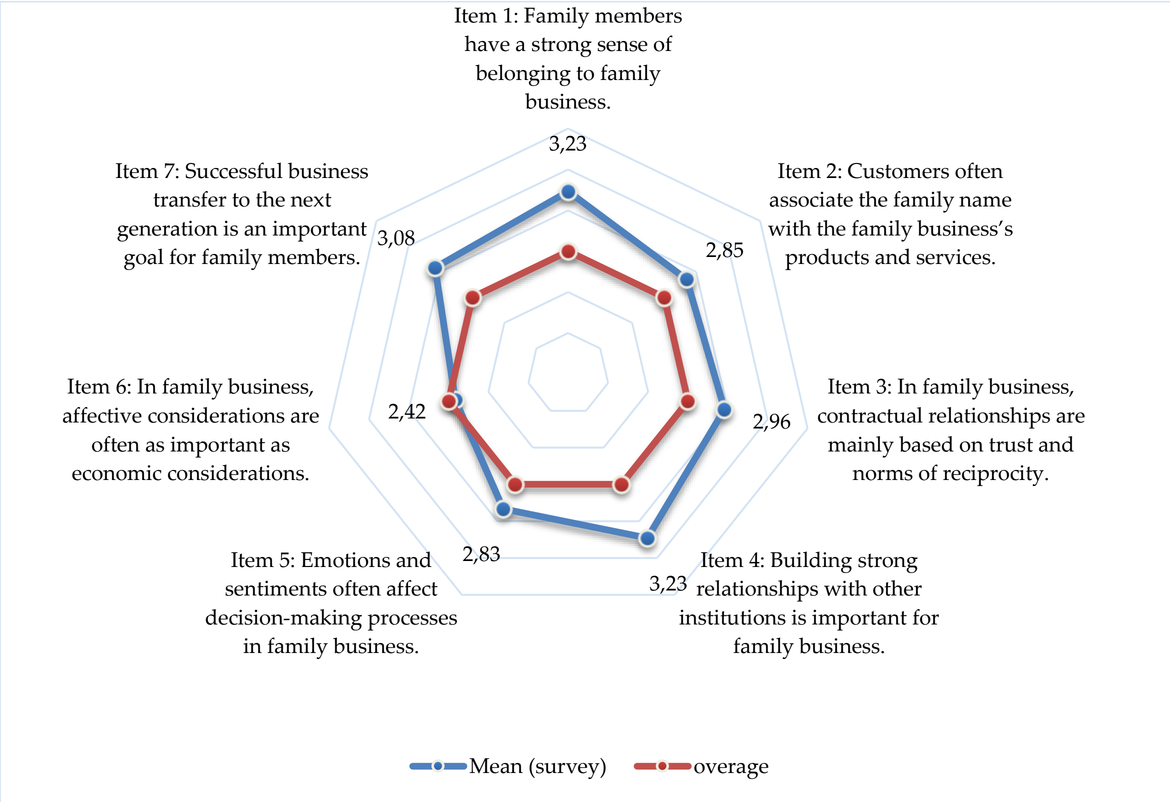
Table 4. Items determining the cognitive role of internal audit.

Items	Mean	Std. Deviation
Provide assurance to family owners/managers that the business is on pace to accomplish its goals.	3,15	0,743
Provide assurance that the interests of various stakeholders will be will be fulfilled and contribute to building ties with them.	2,85	0,652
Provide guidance to enable family owners to achieve the aim of maximizing the value of their organization.	3,13	0,841
Total field	**3,04**	**0,746**

Source: SPSS results

Socioemotional wealth dimension in family firms: seven items were used to reflect the dimension of SEW (non-exhaustive list). Indeed, family control and influence were presented by proportion of family ownership (Table 2). As can be seen from the figure 2, the overwhelming majority of the respondents consider the identification of family members with the firm (item 1 & item 2). The vast majority of responders consider binding social ties (item 3 & item 4). Furthermore, the renewal of family bonds through dynastic succession (identified by Item 7) is above the overall. Instead, the item 6 that reflects the emotional attachment of family members is below the overage. The arithmetic means of the respondent's answers of this field are high reached to (2,94), and the standard deviations were (0,719).

Figure 2. SEW† Dimension



Source: SPSS results

Table 5. Items determining the internal audit specific role in family business

Items	Mean	Std. Deviation
The inherent risks in each of the strategic decisions, particularly, the risk in terms of loss of SEW and the risk in financial and economic terms	2,75	0,526
Which stakeholders are likely to benefit from strategic decisions based on the socioemotional wealth preservation	2,85	0,461
Under what condition the emphasis on socioemotional wealth is beneficial or detrimental to the performance of the company	2,67	0,630
Errors in comprehension committed by leaders	2,92	0,710
decision-making errors committed as a result of emotions	2,73	0,707
Decision-making errors committed related to the pride of leaders.	2,71	0,743
decision-making errors committed under peer pressure.	2,88	0,444
Total field	**2,79**	**0,60**

Source: SPSS results

† SEW: Socioemotional Wealth

Interpretation of internal audit role in the dimension of SEW: seven items were used to reflect the internal audit's role as a mechanism for reducing decision-making bias. According to the findings (table 5), the majority of the respondents consider that internal audit contributes to the arbitration between economic and non-economic goals of the family. The arithmetic means of the respondent's answers of this field are above the overage (2,79), and the standard deviations were (0,60).

Conclusion

Throughout this paper, we have assumed that internal auditing in family businesses differs from auditing in non-family businesses. We sought to explain the implications of internal auditing for family businesses' governance. First, we have focused on interpreting the role that internal auditing can play as a family business governance mechanism. We argued, based on governance theories, that internal auditing in family businesses can play both a traditional role, as a disciplinary or knowledge provider mechanism, and a specific role as a mechanism for reducing decision-making bias. Indeed, family and business goals are not always compatible (Berrone et al, 2012). In this view, trade-offs between economic and noneconomic considerations through internal auditing help correct efficiency losses caused by behavioral bias. The latter, according to Charreaux (2011) can disrupt the proper functioning of the governance system, especially if they influence executive decisions and may be the source of value losses higher than those associated with opportunism. The objective of this paper was to provide evidences about the interpretation of internal audit's role in family businesses regarding family firms characteristics. To accomplish these objectives, a questionnaire was designed and distributed to a sample of Algerian family businesses. The results of the questionnaire indicate that the Internal audit plays a significant role as a provider of information and knowledge to family owner-managers with the highest mean score (3,04). Therefore, we accept the hypothesis of the study that family businesses interpret the internal audit's role as a knowledge provider mechanism that promotes learning. Furthermore, the findings show that the internal audit plays a specific role in SEW dimension which is the trade-offs between economic and noneconomic considerations and reducing decision-making bias (mean score were 2,79), and therefore, we accept the hypothesis of the study that internal audit contributes to the arbitration between economic and non-economic goals of the family. The lowest mean score was 2,64 above the overage which indicate that the internal audit plays a disciplinary role, and therefore, we accept the hypothesis of the study that the audit mitigates information asymmetry and opportunistic behavior. According to Bertin (2014), the dominance of one or both internal audit roles depend on the characteristics of the family business. Meanwhile, it seems relevant to consider whether there is an optimum to be attained within family firms so that internal audit has an active role in corporate governance and can execute its assurance and consulting activity efficiently and independently. Finally, the interrelationships and interactions between the internal audit and the various governance organs are apparent. In this regard, the IIA's three-line model, on the one hand, provides a better understanding of the various roles required for effective governance and their mutual interactions. On the other hand, it is addressed to the internal audit, which has the ability to drastically understand key relationships within the organization as well as its contribution to the governance process.

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