

Cultural Paradoxes in Financial and Control Management of Family SMEs: Agenda for Future Research in the Emerging Moroccan Context

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ABSTRACT: **Purpose:** This study aims to investigate the impact of nepotism and cultural effects on the financial management and internal control systems of family businesses in the Moroccan context. **Design/methodology/approach:** Our study covered a sample of 14 individuals of seven firms, through qualitative research based on semi-structured interviews. **Findings:** Our findings indicate that nepotism can have a detrimental impact on financial decision making and resource allocation in family businesses, while cultural values and beliefs play a major role in determining the way financial management and control systems are executed. Our research explains that the effect of nepotism on the effective implementation of internal control systems in family small and medium-sized enterprises (SMEs) is brought about through the presence of familial ties. In many family businesses, accountants are often hired based on personal relationships (favoritism), which is crucial for the effective performance of internal control functions. This is because control is typically maintained informally through trust placed in family members. **Originality:** This study provides a unique perspective on the challenges faced by family businesses in the Moroccan context, highlighting the importance of considering cultural and nepotistic factors when evaluating their financial management and control systems. **Practical implications:** The findings have practical implications for family businesses in Morocco, indicating the need for clear and transparent governance structures, and taking cultural values and beliefs into consideration when developing financial management and control systems. Further research is needed to deepen our understanding of these issues and to develop effective strategies to overcome the challenges faced by family businesses in the Moroccan context.

KEYWORDS: Family Culture, Family dynamics, Financial Management, Family SME

Article Classification: Research Paper, Empirical qualitative research

1. Introduction

For as long as the private sector has existed, family businesses have been present throughout the world. Until today, the characteristics of these businesses have not changed (Hillen and Lavarda 2020). Thus, the family business symbolizes the oldest and most

widespread organizational form in the world. However, the notion of "family firm" is still not clear, since it cannot be defined based on specific legal forms or specific size criteria, or based on mono- or multi-criteria (Yanez-Araque et al. 2021). According to these authors, a firm is family-owned when it bears the family name and is imbued with its values and traditions. The family must also provide managers and own all or a large part of the shares. As for Michael-Tsabari et al. (2020), the family business is "an organization in which two or more members of the extended family influence the direction of the business through the exercise of kinship in management positions or ownership of capital." Three criteria allow us to define a family business. It is characterized by the active participation of the family in the management, the control of the capital by the family, and its transmission to the future generation. For the most part, nepotism adversely affects the company's performance and discourages the recruitment of personnel outside the family (Arzubiaga, Maseda, and Iturralde 2019).

This paper investigates the possible transformations of nepotism for financial management through an informal internal control efficiency mechanism in family SMEs. The topic is new and there is still very little research on the effects of such a strategy in family firms. Moreover, the need to specify the links and differences between nepotism and corruption on the one hand, and the obligation to ensure the control of management risks on the other hand, requires the manager/owner to adopt such a control mechanism.

So far, in the management control literature, the concept of an internal control system is seen as a device appropriate for well-structured companies. The formal internal control management is seen as a management tool suitable for these large companies (Diard and Dufour 2022), while the problem of organizing an internal control system also affects SMEs and VSEs, and even more so those of the family type. As family preference is an inherent culture of this type of SME, the concept of nepotism is rarely appreciated in this context. However, it is more often discussed in public organizations. Nevertheless, several authors have been interested in the problems of internal control within family businesses in developed countries (Basly 2006), relating to the efficiency that is derived from it, to the characteristics of trust, but without addressing the particularities of nepotism. As evidenced, the existence of a dynastic law, the future leader of a large family group is likely to be a family member. As Gersick et al. (1997) have also shown, the firm concerns the members of the founder's family, because it is part of the collective heritage. In fact, it is one of the family's main assets. In this context, nepotism influences the establishment of an effective system of internal control in family-owned SMEs.

As for Moroccan society, they are known for high-context societies where facts are implicitly explained by the underlying culture of control and thus remain unspoken (Hillen and Lavarda 2020). In this context, nepotism in internal control in a family business is one of them. It consists of assigning that internal control responsibility with some importance, honor, or advantage to family members, and to some extent, to friends or relatives, rather than to those who are logically entitled to it or who are the most competent. These competencies (in formal internal control), but not being family members, have implications for the entity's managerial strategies in its social context.

In this perspective and following the work on family SMEs (Hillen and Lavarda, 2020), this paper takes a particular approach. It understands nepotism as an unexpressed/unintended strategy of family SMEs to make their informal internal control system effective. This work demonstrates the importance of analyzing the impact of this phenomenon on the functioning of an effective financial management through the internal control in these SMEs in a developing country context. The necessity of the study lies in the importance of the family link and the socio-cultural factors observed.

For Cappelletti (2006), the internal control system combats organizational inefficiency, and at the same time, it prevents risks at all levels and reduces those likely to degrade performance. Thus, two concepts deserve to be highlighted: nepotism and effective internal control management in family-owned SMEs. To this end, values such as the priority given to the family fiber, favoritism, and direct supervision, constitute variables that preconceive and legitimize nepotism in these family SMEs. The companies concerned are grappling with legitimacy, formality and the norms that impose or frame the practice of corporate governance. More specifically, should the effectiveness of informal or formal internal control practices be legitimized within the family SME?

In order to provide elements of an answer, theoretical benchmarks are first highlighted. Then, the qualitative method by semi-directive interviews is adopted to describe the influence of the family environment of the SME on the effectiveness of the internal control management. Finally, the results obtained and proposals are formulated, leading to discussions of the effects of nepotism on the effectiveness of internal control management in the context of a developing economy.

2. Literature review

2.1. *The role of family dynamics in family business culture*

Family businesses play a crucial role in the economy and represent a significant portion of all businesses globally. In these companies, the owners often have a deep personal connection to the business, which often results in a unique corporate culture. This culture can have a profound impact on the success of a family business and can shape its future (Bartosik-Purgat and Hadryś-Nowak 2014).

One of the most significant cultural aspects of family businesses is the powerful sense of tradition and history (Bartosik-Purgat and Hadryś-Nowak, 2014). The owners often have a strong emotional attachment to the business and are proud of its heritage. This can lead to a resistance to change and an emphasis on maintaining the status quo. However, this can also create a sense of stability and security for employees, who often view the business as a second family.

Another important cultural aspect is the close relationships that exist between family members. This can create a sense of unity and a shared vision for the future of the business. However, it can also lead to conflicts and power struggles between family members, particularly when it comes to decision-making and succession planning (Boyd et al. 2015).

Additionally, the cultural values of family businesses can have a significant impact on their business practices. For example, family businesses may place a high value on social responsibility and may be more likely to engage in corporate social responsibility initiatives. On the other hand, some may prioritize profit over all else and may be less likely to engage in socially responsible practices.

The culture of a family business can have a significant impact on its success and longevity. Understanding the unique cultural aspects of a family business is essential for those involved in its management and operation, as it can help to navigate challenges and capitalize on opportunities. Research in this area can provide valuable insights into the relationship between culture and performance in family businesses, and can inform the development of strategies for enhancing the success of these companies (Bartosik-Purgat and Hadryś-Nowak 2014; Boyd et al. 2015).

Family dynamics play a crucial role in shaping the culture of a family business. Family members often bring their subjective experiences and relationships into the workplace, and these relationships can influence the way that business is conducted (Chua, Chrisman, and Sharma 1999). For example, in some families, there may be a

strong sense of loyalty and collaboration, which can lead to a more harmonious work environment. On the other hand, in families with a history of conflict or competition, these tensions may also be present in the workplace and can negatively impact the culture of the business.

In many cases, family members may also have different ideas about the future direction of the business, which can lead to disagreements and difficulties in decision-making. In order to overcome these challenges, it is important for family businesses to establish clear lines of communication and decision-making processes, and to work together to find common ground. The role of family dynamics in shaping the culture of a family business also highlights the importance of succession planning. When a family business is passed down from one generation to the next, it is important to ensure that the values and cultural practices of the business are effectively communicated and maintained (Chua, Chrisman, and Sharma 1999; Boyd et al. 2015). This can be achieved through the development of a shared vision for the future of the business, and by involving the next generation in the day-to-day operations of the business.

The family dynamics within a family business play a crucial role in shaping its culture and success. It is important for family businesses to understand the impact of these dynamics and to take steps to address any challenges that may arise. This can include creating clear communication channels, establishing decision-making processes, and developing a shared vision for the future of the business. By understanding and managing the impact of family dynamics, family businesses can work towards a more positive and productive work environment, and ensure their long-term success (Chua, Chrisman, and Sharma 1999).

Furthermore, effective communication is a critical component of any successful business, and this is particularly true for family businesses. In these companies, the relationships between family members can greatly influence the way that information is shared, and decisions are made (Astrachan and McMillan 2003). In order to promote effective communication in a family business, it is important to establish clear lines of communication and to encourage open and honest dialogue. This can include regular family meetings, one-on-one discussions between family members, and the use of transparent decision-making processes. In addition to promoting effective communication, it is also important to encourage the free exchange of ideas and opinions. This can help to foster a culture of innovation and creativity, and can lead to the development of new and better business practices.

Another aspect of communication in family businesses is the way that information is shared between different generations. In many cases, there may be a gap in understanding between older and younger family members, which can lead to misunderstandings and conflicts. To address this, it is important for family businesses to promote intergenerational communication and to encourage the sharing of knowledge and experience between different generations. Effective communication is a crucial component of a successful family business (Astrachan and McMillan 2003). By promoting open and honest dialogue, encouraging the free exchange of ideas, and encouraging intergenerational communication, family businesses can work towards a more productive and harmonious work environment.

Moreover, succession planning is a critical aspect of family culture and family dynamics (Ghee, Ibrahim, and Abdul-Halim 2015). This process involves the careful consideration of the future of the business, including the transfer of ownership, management, and decision-making responsibilities from one generation to the next. Effective succession planning is important for a number of reasons. Firstly, it can help to ensure the continuity of the business, and to preserve its cultural and historical values. Secondly, it can help to minimize the risk of disputes and conflicts between

family members, particularly when it comes to decision-making and the allocation of resources.

In order to effectively plan for succession, it is important for family businesses to engage in open and honest discussions about their future plans and goals. This can involve the development of a shared vision for the future of the business, and the establishment of clear lines of communication and decision-making processes. In addition, succession planning can also involve the development of leadership skills and the identification of potential future leaders within the family. This can include the provision of training and support, and the creation of opportunities for family members to take on leadership roles within the business (Ghee, Ibrahim, and Abdul-Halim 2015). Effective succession planning is a critical aspect of the long-term success of family businesses. By engaging in open and honest discussions, establishing clear decision-making processes, and developing the leadership skills of future generations, family businesses can work towards a smooth and successful transition of ownership and leadership, and ensure their long-term viability.

2.2. Conceptual discussion on cultural paradoxes in family businesses : a specificity of family nepotism

Nepotism is the attitude of someone (leader) who uses the privileges of his or her position to favor his or her relatives. This practice is widely observed in public institutions and organizations. While the concept of nepotism is widely observed in public structures, it is more important to notice and explain it in small and medium-sized family-owned private structures, where the internal control system deserves to be highlighted.

We state the main outcomes of nepotism, detected by the majority of scientific authors and analyzed in the literature. To this end, we note more specifically: the management of human resources, trust, and the complexity of the control system in the family SME. Nepotism is much more prevalent in family businesses than in others (Bauweraerts and Colot 2014). This is due to employment based on personal relationships between a prospective employee and a family member rather than recruiting qualified and competent personnel (Sirmon and Hitt 2003). Miller et al. (2010) discuss the structural contradictions between the family and the firm, and the various human resource problems that may arise from this, including: problems in selecting a family member, compensation, problems in evaluating a family member's performance, although family involvement may lead to negative actions. Nepotism means that the founder shows great tolerance for family members who are more or less competent. The particularities of personnel management in the context of family businesses are greater motivation, a better retention rate, the existence of two categories of employees, and problems in recruiting qualified personnel. Finally, almost everything is based on preference, in particular, trust in a family member.

Moreover, according to several authors (Fares and Bitar 2022), the concept of trust can explain the superiority of family businesses in terms of performance over other types of businesses. The concept of trust would come from the nature of the links between the company's managers and its environment.

Family businesses are more complex in terms of governance than their counterparts because of the presence of an additional variable: the family. The addition of emotions and family issues to the business increases the complexity of the internal control challenges that these businesses face. For Salloum, Schmitt, and Bouri (2012), this type of strong interpersonal conflict can be fatal to the company. For example, when descendants lead and exercise power in the company and other family members have to obey their orders, it can lead to conflict within the family and within the company.

In this context, family businesses are poorly defined; most of the literature is produced by consultants, and research methods are not very diversified. The particularity of these family businesses lies in the indissociability of the subsystems. The difficulty of their analysis stems mainly from the fact that their dynamics integrate several subsystems: the owner-manager, the individuals and their aspirations, the family life and its rules, the business and its realities (Dyer and Handler 1994). Particular problems are dedicated to family businesses, for example, the difficulty of attracting competitors, the weakness of management training, succession problems, motivation problems, delegation problems, organization problems, little use of external expertise, sharing of assets, nepotism, fairness towards employees and external managers. At the same time, the main success factors of family SMEs are (Allouche and Amann 1997): work-family balance, decision-making process, and parental responsibilities. Especially the family dynamics, emotions, and conflict resolution seem more personal and include the search for balance between family and business concerns.

2.3 Managing the professional transition in family businesses: Mosaic of factors promoting the efficiency of financial management through the internal control system in family businesses

The owner/manager of the SME has a very strong influence on the management system of his company, both on its structure and its functioning (Wamba and Hikkerova, 2014). For this reason, several issues reveal the consequences of nepotism, which are characterized by a poor management: unclear legislative framework, inadequate judicial system, lack of transparency and accountability, and by a lack of any preventive policy and awareness that sheds light on the importance of issues related to professional ethics, conflicts of interest, and lack of reflex. Moreover, a lack of preventive policies and awareness related to professional ethics, conflicts of interest, the lack of reflex to disengage from certain decisions, the granting of benefits that end up creating troubled or badly perceived relationships (Wamba and Hikkerova 2014). Furthermore, this management system is characterized by a managerial and corporatist culture that is not very conducive and that generates fears and discourages any denunciation (or simple questioning of a system that has been affected and denounced) by those who have integrity or who simply wish to apply the existing rules; a spirit of revenge on the part of the group and its superiors that imposes disguised sanctions instead of promoting integrity. Among the evils that undermine accountability in family-owned SMEs is tribalism, which is another face of nepotism. One of the striking consequences of nepotism is tribalism, which leads Moroccan leaders to appoint people to positions they do not deserve without worrying about the serious consequences that such decisions can have on professional unawareness.

Two variables specific to family-owned SMEs can determine the effectiveness of the internal control management: direct supervision by management and the importance given to formal internal control. Internal control is a continuous process implemented by all stakeholders in the company in order to control the risks related to the achievement of the objectives for which this process is designed (Rodriguez Serna et al. 2022). Internal control is therefore an essential process in the control of risk and management of a company. It is a set of measures representing a means to an end, and far from being an end in itself. In most family-owned SMEs, it is conducted directly and informally by the manager. In contrast, it is quite rare for a formal internal control system to be implemented in these companies. It should be remembered that the effectiveness of internal control as a risk management system "is a process implemented by the board of directors or by the manager(s) and staff of an organization used for the development of strategy, which is transversal to the company. The analysis of the effectiveness of an internal control system in an Moroccan family-owned SME consists

in removing the ambiguity between its existence and non-existence, its formal/informal character, and the influence of family preference on the effectiveness of the said system (Rodriguez Serna et al. 2022).

By analogy, the cultural areas of the profiles of the managers of Moroccan family SMEs are essentially manifested by the family link and by the existence of informal control through the internal service of keeping an embryonic accounting system. The realities experienced in SMEs show that more importance is given to these characteristic variables (Rodriguez Serna et al. 2022). In the internal control management, the cultural shelters of the SME influence its effectiveness. In addition, the three characteristic variables (importance of the family link, direct supervision, effects on internal control management effectiveness) are explaining the essential strength of the family business culture playing their complementary role in the internal control system within an SME.

3. Methods

In the second stage of this work, 14 individuals were interviewed, including 7 managers, 5 internal controllers and 2 employees. The employees were interviewed to confirm or deny the statements of the first two types of individuals. They are therefore called upon when managers and internal controllers state that nepotism does not influence the internal control system. We constructed an interview guide to be used with these three types of individuals according to their degree of involvement in the implementation of an internal control management (more or less effective) in the family business and the perception of this policy (trends and feelings).

In order to ensure a balanced comparison of analysis according to the sectors of family-owned SMEs existing in the territory, we deemed it necessary to include in our sample companies from different sectors of activity. It was at the end of the interviews that these people agreed to share their experiences with us, and naturally made the link between the phenomenon of nepotism and the internal control system set up in the family business. We would like to emphasize the characteristics, manifestation, dimension and consequences of nepotism on the effectiveness of the internal control system, since the concept of nepotism was clearly presented at the beginning of the work. Following the trust previously shown, these 14 individuals (7 managers, 5 internal controllers and 2 employees) agreed to make themselves available to allow us to conduct the interviews. In total, we have a sample of 3 industrial companies, 2 commercial company and 2 service companies. These companies were selected by reasoned choice, while ensuring the existence of an internal control department. At the end of our interviews, out of the 7 cases, 4 admit that nepotism influences the internal control management implemented, while the other 3 affirm that this phenomenon has no influence.

Of the 7 SME managers interviewed, four have a family relationship with the owner(s) (shareholder(s)) of SMEs, while the other four have no family relationship. Of all the internal auditors interviewed, only 2 have family ties with their manager. The other five have no relationship with their manager. Employees (other collaborators) are interviewed only because of the negative responses from internal controllers regarding the influence of nepotism on internal control.

The interviews were collected by means of recordings. The transcriptions took about 23 hours of work. The transcripts are on average 8 to 11 pages long for each case. The transcripts were also reread by us and by the interviewees.

A qualitative and cross-sectional method was adopted for the study of the life courses of seven family-owned SMEs. This method favored field interviews with

managers, controllers and employees, selected according to the reasoned process. It is inspired by the grounded theory (Castleberry and Nolen 2018). The design of this process puts into perspective the particular place given to internal control in SMEs. We specifically identify first-order data (directly from verbatim passages) as well as second-order data (concepts are developed through the coding of our interviews).

4. Results analysis and discussion

The empirical results from the analysis of the interviews are presented along three lines. First, the manifestations of nepotism in relation to the internal control system. Second, the consequences of the interaction between nepotism and the internal control system. Finally, proposals and resolutions on the contingency of the notion of effectiveness of the internal control system in family-owned SMEs in a developing economy.

4.1 The cultural reality of family businesses: a high level of nepotism impacting the efficiency of management and its financial control system

The manifestations of nepotism can be explained first of all by the importance given to the family fiber, whose indicators of perception are: kinship, trust and filiation. With regard to the importance given to these signs, the influenced internal controller tells these realities in the following way: "[...] *As the chief trusts you his internal controller, that is how he also trusts the family members who control you informally, so in a way, "a controlled controller", especially if you are not a family member"*.

Second, nepotism is characterized by bias, indifference and preference. Obviously, these elements have an impact on the objectives and missions of the (non-family member) internal controller. In this case, that impact was marked by the reaction of the non-family member internal auditor: "[...] *In our company, the problem is that you're just given part of the responsibility, but the other part or even the bulk of it is in the hands of another person close to the family, who is actually another controller of the controller."*

In addition to the reactions to the manifestation of nepotism, including the importance placed on the family fiber and its characteristics, the main consequences of nepotism observed are an emotional impact and a feeling of frustration. When the individual, the internal controller, is confronted with the shock and undergoes these behaviors, he adopts, at first, observant mechanisms, and then considers an attitude that allows him to preserve his job.

4.2. The interactions between the cultural aspect of nepotism and the management control system: the constraints of the boundaries between them

There is an implicit conflict between nepotism and the effectiveness of the internal control system that can be described as a bi-frontality between two antagonists in interaction. The antagonism is identified, on the one hand, by the perception of nepotism and, on the other hand, by the internal control policy set up by the manager of the family business.

Firstly, the perception of nepotism is explained by indices such as: injustice, favoritism and frustrations. This social climate, unfavorable to the effectiveness of the internal control system, is accompanied by affliction, which settles in and develops throughout the life of the internal controller: "*My colleague, the controller, takes advantage of this "favoritism" to protect his own "protégés, friends". He also seeks to have relationships, affinities to protect, for example, his former comrades, friends, brothers,*"

Secondly, the internal control policy set up by the manager or the owner of the family business, is translated at the origin and at the signature of the work contract, by

the determination, the conformity, the device in the control and the management of the risks. This case of figure relates the reality of SMEs in which nepotism does not influence the controller: *"When it comes to doing my job as an internal controller, I do it without any qualms, I produce my report and I pass it on."* There are also procedures, strategic action plans provided by the director of this company that allow the internal controller to be guided in his duties.

The abandonment of the monitoring or implementation of this internal control policy can be justified by convincing reasons of the internal controller. The commitment to the decision responds to the dimension of the impasse experienced by the individual committed to internal control: *"Commitment is indeed a source of experience of interactions in the process of self-reconstruction. In addition, a resolution, a consensus, and proposals must be made to restore the internal control system to its original effectiveness in a family-owned SME."*

The influence of culture on financial management can also be seen in the way that family businesses are structured and managed. In some cultures, decision making is highly centralized, with a single family member or a small group of elders making all financial decisions: *"This can result in a lack of transparency and accountability and can limit the ability of the business to respond to changes in the market."* In other cultures, decision making may be more decentralized, with multiple family members involved in financial management. This can result in more efficient and effective decision making but can also lead to conflicts and disagreements.

Another aspect of culture that can impact financial management is the relationship between family members. In some Moroccan cultures, there is a strong sense of family unity and solidarity, and family members may be more likely to work together in the business and make decisions that are in the best interests of the family as a whole. In contrast, other cultures may place a greater emphasis on individual achievement and independence, which can lead to conflicts and competition within the family. Consequently, culture plays a significant role in shaping the financial management practices of Moroccan family businesses. Understanding the cultural values, beliefs, and practices that influence financial decision making can help family business owners and managers to make informed decisions and to navigate the challenges of financial management. By taking a culturally sensitive approach to financial management, family businesses can improve their performance, foster economic growth, and preserve cultural heritage.

4.3 The dilemma between efficiency and heterogeneous reality: a cultural aspect driving the mindset of family businesses

In the sphere of resolution of the problems, to understand an instruction consists in requiring the reconstruction of the formal and effective internal control in the family company by the representation of a situation between the ideal and the real. For this the contribution of the theory of moral feelings, for the development of the disposition to admire, and almost to venerate the rich and powerful, as well as to despise, or at least, to neglect the poor and humble conditioned people although necessary both to establish and to maintain the distinction of the ranks and the order of the society, is at the same time the greatest and most universal cause of the corruption of our moral feelings. From this theory, the perspective of solving similar problems in Moroccan family SMEs is considered. To this end, resolutions and proposals are solicited. In the dynamics of reconstruction of the social apparatus specific to the Moroccan family SME, the process of influence of nepotism on the effectiveness of the internal control system is resolved by the following statements: *"Man is suspicious by nature, and it is often said that the goat grazes where it is tied, you know how our companies are, don't you? They are the image of the country."*

To conclude, in this company, nepotism exists but only to a small extent, it does not influence the objectives for which the internal control is designed, the nepotistic spirit is purged more, it tends to be eradicated.

Today, when confronted with the facts and advances in other disciplines (notably finance), the results of this work merge with those of the positive theory of agency. Control and nepotism do not always prevent a consensus. It is appropriate to investigate, first of all from a theoretical point of view, whether the nepotism manifested by management can influence that of the employees, in this case, on the possibility of making the internal control system effective.

In this sense, family businesses are a significant part of the economy in Morocco. They play a crucial role in creating jobs, fostering economic growth, and preserving cultural heritage. However: *“the unique characteristics of family businesses also pose specific challenges in terms of financial management. One such challenge is the influence of culture on financial decision making.”* Culture refers also to the shared values, beliefs, norms, and practices of a group of people. It can have a profound impact on financial management in family businesses, shaping attitudes towards money, risk-taking, and investment. For example, in some Moroccan cultures, there is a strong emphasis on community and intergenerational wealth transfer. This may lead to a reluctance to invest in new business opportunities that could generate higher returns but may also involve greater risk. In contrast, other cultures may place a higher value on individual achievement and encourage risk-taking and innovation.

4.4. Discussion of results: The influence of culture on financial management in Moroccan family business contexts

The term nepotism is very often negatively appreciated. It is used, by extension, to designate the tendency to favor one's or close friends at the expense of ordinary selection processes, merit or the general interest, thus designating favoritism or cronyism. This appreciation is justified by the reality that, in politics for example, nepotism is characterized by the favors that a person in power shows to his or her family or friends, regardless of merit or fairness, ability or capacity. For this to happen, nepotism must disappear from traditional government (Hatch and Cunliffe 2012, 24-25). This practice can be either completely legal or completely prohibited depending on the country or legislation.

Based on the theory of agency and the theory of moral sentiments, which deals with the essential ethical problem of simultaneously formalizing relations between individuals with different interests (Jensen and Meckling, 1976), we agree that the presence of internal control in a family business plays a "paradoxical " and a decisive role in the transmission of information. Exercising control implicitly means influencing someone or something, such as the personnel of the organization, of a unit, or of the company as a whole, with a view to progressing towards the achievement of objectives. It is in this sense that the influence of the concept of nepotism on the effectiveness of internal control management is highlighted and discussed in our study context.

Based on our qualitative results above, the implementation of an effective internal control management is positively influenced by cultural variables across two environments of this system. Family or ethnic cohesion influences through informal control albeit with informal and rudimentary accounting. We also find that SMEs that are able to implement an internal control management have more consideration for family solidarity and clannish, and, with more informal control, influencing formal internal control, especially if the controller is not part of the owner/manager family circle. These constructs indicate that corporate culture determines organizations and systems, as does the implementation of an internal control system. In its first and most common sense, the word control means "verification". In its second sense, it means

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"control" and it must enable managers to run their company effectively. The concept of control in an organization appears to be a state of affairs that exists in the company but that must, through human intervention, become deliberate, and constitute a transformed control system.

Internal control has two dimensions. The first is the so-called "formal control", which may be conducted by a competent agent, not necessarily a member of the family, whose implementation sometimes replaces a control of convenience. The second is called "informal control" conducted by a member of the family, notably the manager. However, there will be only one dimension of control when the controller is a member of the family, with all the necessary skills. In all respects, having an accounting policy and procedure manual is sufficient to dispense with a formal internal control department. Usually, and by analogy, the accountant or manager is already an internal controller. It is true that having a family member to function as an intermediary in the department is an assurance, a guarantee and a security for risk management, but this mentality has its limits. For this reason, nepotism has a positive influence on internal control management in family-owned SMEs.

The elements of answers collected explain the influence of nepotism on the effectiveness of internal control. Indeed, the importance given to the family link ensures, in a way, just the trust or rather ensures the security of assets, the predisposition of good family collaboration. This result confirms the work of Hernandez (1997), where the corporate culture is built by the trust and advice of family members. Indeed, the traditional practice of internal control falls within the competence of the internal audit or management control function, as far as the implementation of an internal control management can be interpreted as a challenge to the trust of the company's personnel management (Cappelletti 2006). Thus, internal control is both a state and a process that includes financial and accounting matters, but also controls intended to improve the effectiveness of internal control, rather through relational resources in order to strengthen adherence to the company's strategic policy. The internal control system will only be implemented in Moroccan family-owned SMEs when it allows for the detection of anomalies in social operations and promotes their correction. Moreover, if the efficiency objective was included in their statutes (more or less clear obligation to achieve certain results), it was rarely taken into account in measuring the quality of their management. This is because, in this type of enterprise, there is a "strong primacy" of the individual and the family bond over business. It is on the strength of the above that nepotism influences the organizational effectiveness of the informal control system in family-owned SMEs.

Despite the challenges posed by cultural influences on financial management, there are also many benefits to be gained from understanding and embracing cultural differences in Moroccan family businesses. One such benefit is the ability to tap into new market opportunities and to better understand the needs and preferences of different customer groups. For example, by being aware of cultural differences in attitudes towards risk-taking and innovation, family businesses can make informed decisions about investment and product development, leading to increased competitiveness and growth.

Another benefit of culturally sensitive financial management is the ability to build stronger relationships with stakeholders, including employees, customers, and suppliers. By respecting and embracing cultural differences, family businesses can foster a more inclusive and supportive working environment, which can lead to improved morale, greater productivity, and increased loyalty among employees. In addition, by understanding and accommodating cultural differences among customers, family

businesses can build stronger relationships with these key stakeholders, leading to increased customer satisfaction and loyalty.

In order to fully realize the benefits of culturally sensitive financial management, family business owners and managers must take an active and proactive approach. This includes understanding the cultural influences on financial decision making, being open to new ideas and perspectives, and seeking out opportunities to learn from other cultures and business practices. By embracing cultural diversity and adapting to changing market conditions, family businesses can improve their financial performance, increase their competitiveness, and build stronger relationships with their stakeholders. The influence of culture on financial management in Moroccan family businesses is a complex and multifaceted issue that requires a nuanced and culturally sensitive approach. By understanding the cultural values, beliefs, and practices that shape financial decision making, family businesses can improve their performance, foster economic growth, and build stronger relationships with their stakeholders. By embracing cultural diversity and adapting to changing market conditions, Moroccan family businesses can continue to play a vital role in the development and prosperity of their communities.

5. Conclusion

In conclusion, this study has provided a comprehensive examination of the influence of nepotism and cultural effects on the financial management and internal control systems of family businesses in the Moroccan context. Our findings reveal that nepotism can have detrimental effects on financial decision making and resource allocation, leading to conflicts of interest and reduced effectiveness of the internal control system. Meanwhile, cultural values and beliefs play a key role in shaping the way financial management and control systems are implemented.

The feeling of belonging to a family, a tribe and doing everything for it, characterizes the values of responsibility of the owners/managers of family businesses. However, the harmonious development of Morocco suffers from this competition of interests. Tribalism indeed extends its shadow over the life of the family SME and explains the negative influence on the behavior of citizens in both the democratic and economic game, as is the case in public organizations.

First, our analysis shows that the influence of nepotism on the implementation of an effective internal control system in family-owned SMEs is realized through the existence of the family fiber. Indeed, in most family businesses, several accountants are recruited on the basis of social ties (favoritism). It becomes essential in the exercise of the internal control function. This is because control is preferably ensured in an informal manner, through the trust placed in family members. In other words, if a family-owned SME has an accounting department, the implementation of an internal control department no longer becomes a priority.

The organizational control effectiveness of SMEs is influenced by the endogenous environment through the variables: "ability to formalize the accounting information system", and "ability to change the informal internal control mechanism". In other words, the internal control system of the family-owned SME can only be effective if there is a competent internal controller who is a family member. If this condition is not met, an internal controller who is not a member of the family is influenced by the phenomenon of nepotism, and therefore by the existing informal internal control mechanism. To this end, we can say that in the context of our study, family-owned SMEs with an internal control management would perform better than those without one. Given the importance of family businesses in the Moroccan context, it is crucial to

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take these cultural and nepotistic factors into consideration when evaluating their financial management and control systems. Nepotism can undermine the credibility and transparency of financial decisions, leading to a lack of trust from stakeholders and a reduced ability to attract investment. Cultural values and beliefs can also shape the way in which financial management and control systems are designed and implemented, leading to suboptimal results if not taken into account.

To address these challenges, it is recommended that family businesses in the Moroccan context implement clear and transparent governance structures, with checks and balances to mitigate the negative impacts of nepotism. In addition, cultural values and beliefs should be taken into consideration when developing financial management and control systems, to ensure that they are effective and aligned with the values and beliefs of the local community.

Further research is needed to deepen our understanding of the impact of nepotism and cultural effects on family businesses in the Moroccan context and to develop strategies to overcome these challenges. By taking these steps, family businesses in Morocco can ensure their financial management and control systems are effective, transparent, and aligned with the values and beliefs of their stakeholders.

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