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Fusing family and firm: Employee perceptions of perceived homophily, organizational justice, organizational identification, and organizational commitment in family businesses

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ABSTRACT

Social identity theory has been applied to many organizational contexts, including family businesses. However, the current study is one of the first to explore the organizational identification of non-family member employees. Based on previous research, it seems likely that, for family business employees, organizational identification mediates the relationship between organizational justice, homophily, and commitment. This study proposes a model of identification for family business employees based on these considerations. Although the current study did not confirm the proposed model, an alternative model is discussed.

1. Introduction

Extant research has established a strong connection between employee commitment and firm productivity and performance (Muse, Rutherford, Oswald, & Raymond, 2005; Whitfield & Poole, 1997). Organizational commitment is a strong belief in the organization's goals and values, a willingness to work on behalf of the organization, and a desire to maintain membership in the organization (Porter, Steers, Mowday, & Boulian, 1974). This sense of commitment among employees could be used not only to preserve the longevity of their businesses, but also to create a positive working environment for employees.

Whether employees perceptions of how similar they see themselves to other employees and whether they believe they are treated fairly should affect how identified and committed they become to their organizations. Perceptions of organizational justice and homophily likely will contribute to how connected individuals feel with the family businesses for which they work. Previous research has found strong, positive correlation between perceptions of organizational justice and perceptions of co-worker identification, satisfaction, and support as well as affective commitment (Byrne, 2003; Cohen-Charash & Spector, 2001; Colquitt, Conlon, Wesson, Porter, & Ng, 2001). While prior research has focused on these constructs within the context of non-family firms, little to no research has addressed them within a family business context.

Organizational identification has been researched in family businesses. However, much of previous research only considers the identity development and identity conflict of family member employees (Dyer & Whetten, 2006; Reay, 2009; Shepherd & Haynie, 2009a, 2009b; Sundaramurthy & Kreiner, 2008), as they are the employees who constantly struggle to manage their family and organizational identities simultaneously within their family businesses. However, more than 80% of employees of family businesses are non-family members (Mass Mutual, 2007). It is likely that non-family member employees struggle to find their "place" within the family business for which they work as they do not necessarily have in-group status due to their lack of membership in the founding family. Therefore, research needs to consider how this identity development process may affect all family business employees, not just those related to the founding family.

Recently, scholars have begun to examine the role of non-family member employees (Astrachan & Keyt, 2003; Barnett & Kellermans, 2006; Chua, Chrisman, & Sharma, 2003). Family and non-family employees compare themselves to each other as they develop their roles and identities within their organizations.

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Non-family employees within family businesses likely provide additional challenges non-family firms may not face in terms of creating a strong sense of identification and commitment among family and non-family members alike.

The development of family and business identities as either separate or integrated entities of family member employees affects non-family employees' perceptions and work experiences. If the founding family's family and business identities are seen as integrated, non-family employees may be given limited access to managerial opportunities, limited contributions to organizational decision-making, and limited presence on governing boards (Lubatkin, Schulze, Ling, & Dino, 2005; Schulze, Lubatkin, & Dino, 2003b). On the other hand, if the founding family's family and business identities are viewed as separate, non-family employees are likely to have a larger, more important presence in family businesses (Sundaramurthy & Kreiner, 2008). Other research suggests family businesses should develop a "family business meta-identity" addressing who they are as a family business, rather than developing who they are as a family and who they are as a business separately (Reay, 2009; Shepherd & Haynie, 2009a). If they are able to do this, family businesses will be more likely to be able to create a strong sense of organizational identification and commitment where all family business employees perceive themselves as not only similar in values, beliefs and attitudes, but as also treated fairly within the organization.

To understand more thoroughly how family business employees come to identify with and come to be committed to their family businesses, we decided to draw on social identity theory (SIT), based in intergroup theory (Tajfel, 1982). Social identity theory explains how individuals compare themselves to members of their social groups as well as to other social groups (Tajfel & Turner, 1986) in order to develop a series of social identities, including their organizational identities. Family business employees must compare themselves to both non-family member and family member employees in order to develop their unique identities and come to identify with their organizations.

Family business employees are likely to form their perceptions of organizational identification and commitment based on their perceptions of how they are treated within their family businesses and whether or not that treatment varies among employees. Employees will likely focus on their perceptions of organizational justice and homophily to determine how connected to their organizations they feel. Organizational justice is the perception of whether individuals are treated with respect based on the decision-makers and the policies in their organizations (Colquitt, 2001; Scott, Colquitt, & Zata-Phelan, 2007). Similarly, individuals base their perceptions of homophily on how similar they see their attitudes, values, and backgrounds to others in their organizations (Lazarsfeld & Merton, 1954; McCroskey, Richmond, & Daly, 1975). See Table 1 for more clarification of the current study's constructs.

When employees identify with their family business, they are likely to be committed to the family business as identification has been linked to both work satisfaction and lower turnover rates, and, ultimately, commitment (van Dick et al., 2004). Employees' perceptions that they are members of a cohesive organization tend to lead to a more productive workplace (Fleming, 2000; Richter, Van Dick, & West, 2004). Therefore, through addressing family business employees' perceptions of justice and homophily, both researchers and practitioners may come to better understand their experiences in order to create better working environments within family businesses. To this end, the current study tests test whether one's status as a family member or non-family member employee affects perceptions of organizational justice, homophily, organizational identification, and commitment.

Further, it will also test whether organizational identification mediates the relationship between organization justice and homophily and organizational commitment.

2. Literature and hypotheses

2.1. Family businesses

For the purposes of this study, a family business is defined as: "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman, & Sharma, 1999, p. 25). The focus of this definition is the role of the family within a family business. As such, families as owners are likely to affect the development of a strong sense of organizational identification among their employees differently than owners of non-family firms.

Family business owners have the opportunity to aid their families and their businesses by developing a "family business meta-identity" in order to address who they are as a family business, rather than developing who they are as a family and who they are as a business separately (Shepherd & Haynie, 2009a). Through the development of this meta-identity, family businesses are able to use the intersection of the business and families to benefit not only the business, but also the psychological well-being of the family (Shepherd & Haynie, 2009b). For instance, family values such as commitment, loyalty, and supportiveness will likely benefit the business, while an in-depth knowledge of family personalities, values and beliefs, and weaknesses will allow family businesses to make decisions for the benefit of the family. Further, this meta-identity allows family businesses to "develop a sense of pride in their distinctiveness" as a family business (Reay, 2009, p. 1267). This sense of pride will likely contribute to feelings of organizational identification, as all employees are able to develop a sense of belonging to the family and the business simultaneously, rather than just to the business—something that non-family firms cannot do.

Table 1
Definitions of study constructs.

Construct	Definition	Key references
Interpersonal justice	Perceptions of how individuals are treated with respect and dignity by decision-makers	Colquitt (2001)
Informational justice	Perceptions of how honestly and thoroughly decision-makers explain the rationale for their decisions	Colquitt (2001)
Homophily	Perceptions of similarity in attitude, background, values, and/or appearance	Lazarfeld & Merton (1954), McCroskey et al. (1975), Rogers & Bhowmik (1970)
Organizational identification	Perceptions of shared values, belonging, and loyalty to an organization	Burke (1937), Cheney (1982, 1983), Mael and Ashforth (1992)
Organizational commitment	Perceptions of how connected an individual is with an organization	Meyer and Allen (1991, 1997), Mowday et al. (1979), Porter et al. (1974)