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Who prefers working in family firms? An exploratory study of individuals' organizational preferences across 40 countries

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ABSTRACT

Employees can work in family or in non-family firms. Using a sample of more than 12,000 individuals in 40 countries, we investigate this particular occupational choice decision by exploring individual preferences to work in family firms. Our results show that socio-demographic, occupation-related, and entrepreneurship-related variables influence the preference to work in family firms. For example, a preference to work in family firms correlates positively with being female, a positive opinion on entrepreneurs, and self-employment intention, while it correlates negatively with length of full-time education, living in an urban area, being a manager, and entrepreneurship education. Our results help family firms with regard to recruiting of non-family employees and employer branding.

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1. Introduction

Family firms differ from non-family firms as employers. For example, family firms pay on average lower wages (Bassanini, Breda, Caroli, & Rebérioux 2013; Carrasco-Hernandez & Sánchez-Marín, 2007) but offer their employees a more stable work environment where layoffs and downsizing are less likely to occur compared to non-family firms (Bassanini et al., 2013; Block, 2010; Stavrou, Kassinis, & Filotheou, 2007). The public image of family firms also differs from the public image of non-family firms. Family firms are often perceived as less dynamic, more tradition-focused, more conservative, and less exciting than non-family firms (Astrachan Binz, 2014; Allio, 2004; Poza, Alfred, & Maheshwari, 1997). Due to their relationship with the owning family and the overlap between business and family values (e.g., regarding family tradition, family decision-making), family firms are also regarded

as complex organizations with a high potential for conflicts (Beehr, Drexler, & Faulkner, 1997; Ensley & Pearson, 2005).

Based on person-organization (P-O) fit theory (Kristof, 1996; Van Vianen, 2000), we argue that the unique organizational characteristics and the public image of family firms attract certain individuals more than others. Prior research on the occupational decisions of individuals shows that both employment conditions, such as wages or job stability, and the public image associated with a prospective employer shape occupational choice decisions (Kristof, 1996; Schneider, 1972; Van Vianen, 2000). However, there is limited empirical research that explores which types of individuals (especially non-family members) prefer to work in family firms. The central aim of our study is thus to shed light on the characteristics of individuals that make a good P-O fit in the context of potential family firm employment. Given the exploratory nature of our study, we assume that some individuals are more attracted towards working in family firms than others (as implied in P-O fit theory), but we do not develop concrete hypotheses.

Our study thus addresses an important and practically relevant gap in the literature as family firms sometimes struggle to attract employees, in particular highly qualified employees from outside

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the family (Astrachan Binz, Hair, Wanzenried, 2013; Covin, 1994a). Therefore, it is crucial for family firms to know more about the differential attraction towards working in a family firm in the general population but also in certain sub-groups such as senior managers. Research indicates, for example, that the recruitment of senior managers, who may struggle with the desire for control of the business-owning family (Chrisman, Memili, & Misra, 2014; Vandekerckhof, Steijvers, Hendriks, & Voordeckers, 2015), is particularly difficult for many family firms.

To shed light on this and on related issues, we investigate how central personal characteristics studied in occupational choice research relate to the preference for working in family firms. We study how central personal characteristics usually studied in occupational choice research, socio-demographic, occupation-related, and entrepreneurship-related characteristics of individuals in the general population (including senior managers) shape the preference to work in family firms and thus increase P-O fit in this context. The latter group of entrepreneurship-related characteristics is particularly interesting as the entrepreneurial character of family firms has sparked a lot of interest in recent family business research (see Randerson, Bettinelli, Fayolle, & Anderson, 2015).

We use the European Commission's Flash Eurobarometer, a comprehensive survey with individual data from 40 countries (e.g., EU27, US, Russia, China). Our empirical results show that a preference to work in family firms correlates positively with being female, a positive opinion on entrepreneurs, and self-employment intention, while it correlates negatively with length of full-time education, living in an urban area, being a manager, and entrepreneurship education.

We thus contribute to the small but growing literature that investigates the preference to work in family firms (e.g., Astrachan Binz, Hair, Wanzenried, 2013; Covin, 1994a; Covin, 1994b; Hauswald, Hack, Kellermanns, & Patzelt, 2015). This literature has identified a number of determinants of the preference to work in family firms, which are labor market experience, gender, age, desire for independence, opportunity to earn a high income, conversion or self-transcendence, openness to chance, and self-enhancement. Our study contributes to this literature by taking a more holistic perspective. We investigate a wide spectrum of potential factors and identify further occupation- and entrepreneurship-related factors that have not been identified previously as shaping the preference to work in family firms. For example, novel findings include that individuals living in rural regions prefer working in family firms while individuals that received entrepreneurship education prefer to work in non-family firms. Also, the generalizability of prior research in this domain is limited as it is mainly based on (student) samples from a single country (e.g., Covin, 1994a; Covin, 1994b; Hauswald et al., 2015). In contrast, our study is representative to the general population of working adults and comprises individuals from all age groups and socio-demographic backgrounds from 40 countries. The results of our paper also have practical implications for family firms. Our paper suggests which types of individuals will favor employment in family firms over non-family firms. Family firms can use this information to adjust their recruitment and employer branding strategies (e.g., De Kok, Uhlaner, and Thurik, 2006).

The remainder of the paper is organized as follows. Section 2 provides a literature review of related research and introduces person-organization (P-O) fit theory. Section 3 describes the dataset and variables. Section 4 comprises the results of our analysis. Section 5 discusses the results, provides implications for theory and practice, and describes limitations and avenues for future research.

2. Literature review

Our literature review comprises four sections. Section 2.1 describes person-organization (P-O) fit theory, which is our conceptual framework of why individuals might have a preference for a certain organizational form. Section 2.2 introduces previous research on the image and perception of family firms in the public. Section 2.3 summarizes prior research on the characteristics of family firms as employers. Finally, Section 2.4 describes previous research on individual preferences to work in family firms.

2.1. Person-organization (P-O) fit theory and individual preferences for organizations

Person-organization (P-O) fit theory stresses that the congruence between people's individual characteristics (e.g., values, motives, skills, and experiences) and the organization's characteristics (e.g., structures, tasks, technology, organizational values, and climate) is crucial for both the success of the people working within these organizations and the success of the organization itself (Kristof, 1996; Van Vianen, 2000). Such a P-O fit perspective also figures prominently in career decision theories such as Schneider, Smith, and Goldstein's (2000) framework of attraction, selection, and attrition (ASA). People develop different attractions towards different careers, jobs, and organizations. Organizations, in turn, select people to achieve a good P-O fit. Finally, people tend to leave organizations (attrition) if the P-O fit is not given. In this study, the attraction process is of particular importance to better understand why certain people are more attracted towards a certain type of organization, i.e., individuals who have a preference for working in family firms.

When focusing on the attraction mechanism, it is generally acknowledged to view "prospective employees as seekers of information about organizations to be used by them as a basis for career decisions" (Schneider, 1972; p. 216). Hence, one can assume that preference for a particular organizational form is a function of the individual characteristics of the prospective employee and their perceptions of existing organizations. In particular, it should be the congruence between the individual characteristics and the perceptions of organizations that drives career decisions such as occupational preferences towards working in family firms. For data limitations, we cannot study the actual individual perception of family firms but have to rely on prior empirical research in this regard. Our focus is on the individual-level preferences for working in family firms. Thus, we seek to understand the relevance of certain personal characteristics as drivers of the preference for working in family firms, given existing research findings on the general perception of family firms in the public and their typical characteristics and image as employers, as described in the following two sections.

2.2. The image and perception of family firms in the public

There are several studies that investigate the perception of family firms more broadly and thus, indirectly contribute to explaining individual preferences towards working in family firms. For example, Krappe, Goutas, and Von Schlippe (2011) investigate the general perception of family firms as a brand. They find that family firms are perceived as the most sustainable and sociable type of company, but are also viewed as being inflexible. Similarly, Astrachan Binz (2014) analyses the relevance of the family firm brand and its perception in more detail and investigates whether presumed superior reputation of family firms (e.g., trustworthiness, long-term orientation) translates into a competitive

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