Business Horizons (2017) **xxx**, xxx—xxx

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Practicing fairness in the family business workplace

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KEYWORDS
Human resources management;
Social responsibility of business;
Family businesses;
Family business dynamic;
Ethical management;
Business reputation

Abstract One of the main challenges facing family firms is achieving fairness between family and non-family employees in the workplace. Family and non-family employees have the potential to offer unique and distinct contributions to the firm, which makes the achievement of fairness between them messy and complicated. Hence, two interesting questions are worth exploring: Given the complex nature of the family business human capital, how can family firms achieve fairness between family and non-family employees? Why should family business decision makers and advisors promote fair practices in the family business workplace? We first introduce a fair process model as a possible solution for family businesses to achieve fairness between family and non-family employees. Then, based on several examples and studies, we show that family business owners can benefit significantly from promoting fairness in the workplace both in terms of preserving business reputation and in terms of achieving long-term family business survival and success.

1. Fairness in the family business workplace

At Jones Food, family members exclusively held top managerial positions (Schein, 1999). At Lazard LLC, family employees received higher salaries than their non-family counterparts even when both parties occupied the same hierarchical level (Subramanian & Sherman, 2007). At Magid Glove, only family employees are permitted flexible work schedules (Ward & Perricelli, 2005). At HOLDAL Group, family members exclusively occupy seats on the board of directors. Does this preferential treatment of family employees always reflect unfair practices in the family business workplace, and how do these actions affect firm function and performance?

Recent articles have suggested that family businesses exercise unfair practices in their workplace by offering preferential treatment to family employees (e.g., Chua, Chrisman, & Bergiel, 2009; Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014; Kellermanns, Eddleston, & Zellweger, 2012; Zientara, 2015). In this regard,

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0007-6813/$ — see front matter
http://dx.doi.org/10.1016/j.bushor.2017.05.008

Kidwell, Eddleston, Cater, and Kellermanns (2013) emphasized that the preferential treatment of an unqualified family member can lead to detrimental effects on the function and performance of a family business. Similarly, Khanin (2013) showed that turnover intentions of unqualified family members should be supported and encouraged to achieve optimal firm performance. However, Khanin also argued that having qualified family employees in top managerial positions should be maintained, encouraged, and supported because family employees are able to offer unique skills and services that cannot be offered by non-family employees. Accordingly, the privileged treatment of family employees (e.g., family employees occupying top managerial positions, overcompensation of family members relative to their non-family counterparts) does not necessarily reflect unfair practices in the workplace. In fact, the family firm human capital is complex as family and non-family employees' knowledge, abilities, skills, and sources of motivation differ by nature (Dawson, 2012; Habbershon & Williams, 1999). This makes achieving fairness in the family business workplace a messy and complicated endeavor (Lansberg, 1989).

To deal with this complex situation, we offer an in-depth discussion of these two questions: Given the complex nature of the family business human capital, how can family firms achieve fairness between family and non-family employees? Why should family business decision makers and advisors promote fair practices in the family business workplace?

Through this article, we first highlight the distinctive features of a family firm. Second, we discuss the complex nature of the family firm human capital and we argue that a mix of equality and equity should be present in the family firm workplace in order to achieve fairness between family and non-family employees. In this regard, we introduce for family business owners, managers, and advisors four steps and a prerequisite as a possible solution for family firms to achieve fairness in the workplace. Last, we outline the threats family businesses face as a result of unfair workplace practices and what advantages family businesses can gain from promoting fair practices in the family business workplace.

2. What are family firms?

Chua, Chrisman, and Sharma (1999, p. 25) defined a family firm 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.

Moreover, it has been suggested that what distinguishes family firms from other forms of enterprises is the desire of family business controlling owners to preserve their socioemotional wealth (SEW) (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). At its core, SEW represents the stock of affect-related value that the family gains from its involvement in the business. It includes an emotional attachment to the firm, a close identification with its name, a desire for family influence and control, endurance, long-term performance, and family succession (Berrone, Cruz, & Gomez-Mejia, 2012). Gains and losses of SEW are considered a critical reference point that guide the decisions of family controlling owners (Gómez-Mejía et al., 2007).

As such, because of the controlling owners' concern with preserving family influence and control, a significant number of family firms extend preferential treatment exclusively to family employees (e.g., Cruz et al., 2014; Zientara, 2015). For example, family employees receive better performance appraisals (Verbeke & Kano, 2012), are overcompensated (Chua et al., 2009), and are provided with better leadership opportunities (Covin, 1994) relative to their non-family counterparts. Moreover, non-family employees are often considered as ineligible for stock option rewards (Gedajlovic & Carney, 2010) and are excluded from opportunities for succession (Lubatkin, Schulze, Ling, & Dino, 2005).

Yet, the disparity between family and non-family employees, while existing, does not necessarily indicate unfairness. Family and non-family employees have different sets of knowledge, skills, capabilities, and sources of motivation (Block, Millán, Román, & Zhou, 2015; Davis, Allen, & Hayes, 2010; Dawson, 2012; Habbershon & Williams, 1999). As a result, a starting point to promote fairness in the family firm workplace is to understand the complex nature of the family firm human capital, which we discuss in the next section.

3. The complex nature of family firm human capital

Both family and non-family employees have the potential to offer unique and distinct contributions to the family firm. Non-family employees can offer a point of view based on logic and rational analysis