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How to Encourage Devotion Among Nonfamily Employees

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Every business strives to recruit and hire the best employees and to retain them over time. Creating and nurturing a workplace environment that contributes to productivity and helps the firm achieve successful performance is critical.

However, family businesses that want to create this environment must manage the emotions and values of two complementary groups of workers: family employees and nonfamily employees. The owning family's social identity is not only about membership in the family, but it also includes the emotions and values held among the family's members and the behaviors that result. However, non-family employees have personal work identities of their own, and integrating those identities with the family's can be challenging.

We know from research that people are most motivated when three conditions are present: they identify with the firm, participate in firm decision making, and feel loyalty to the firm. While these three factors have been studied separately, our work focused on how they combine with one another for the best results. Getting the mix right is especially important in motivating non-family workers, who will gravitate towards relationships where their personal identities are verified. We hoped through our work to better understand how non-family workers verify their identities in the workplace, and to help family firms create a workplace environment that increases the chance that they will stay and be valuable contributors to the firm's success.

A Closer Look at the Three Conditions

Understanding how nonfamily employees verify their workplace identity to create productive behavior means understanding their underlying perceptions about their interactions with coworkers.

Identifying with the firm is about the quality of firm interactions that are at the core of firm culture. Positive interactions help nonfamily employees feel like they "fit in." This is the first step in the workplace identity verification process.

Participation in decision making helps non-family employees feel "rooted" in the firm. It simulates their productivity because they feel that the firm appreciates their value. The "belongingness" of identification with the firm blossoms into a deeper sense of "rootedness," further verifying their workplace identity.

Loyalty to the firm centers around continued satisfying interactions within the firm that promote feelings of "integrativeness" among nonfamily workers, and in turn verify their workplace identities. This in turn promotes a feeling of psychological ownership that motivates continued productive behavior over time.

As nonfamily employees experience a continuing series of positive and negative interactions that cumulatively verify or detract from their workplace identities, an internal verification meter modulates their productive employee behavior. This internal meter serves as an evaluative indicator of their workplace experiences, and this evaluative indicator is the foundation of their workplace identity. A higher verification meter results in a more productive employee. When everyone's verification meters are running at full speed, it improves their performance and contributes to the firm's success.

What We Studied

This study focused on how workplace identity and its three factors affected both financial and innovative firm performance. We focused our study in Spain because about 75% of the firms there are family-run. The Spanish database SABI (the Iberian Balance Sheet

Analysis system) was the sample source for our study, which included 1,312 family firms. A professional survey organization contacted a nonfamily executive from each of the firms to obtain their emails for the survey.

Our key sources were non-family senior executives who were key decision makers, who oversaw major operations, and who reported to a high-level family member about their day-to day responsibilities. Such a nonfamily executive would have first-hand knowledge about what is occurring in the firm, would have the pulse of the nonfamily employee workplace environment, and yet would have an awareness of owning family dynamics due to their interaction with the family executives.

The main goal of 89% of firms was to pass the firm on to the next generation.

In the survey, we asked them several questions to determine how well the firm performed and innovated, and gauge how strongly nonfamily employees identified with the firm. For example, they were asked to agree or disagree with questions such as, "Nonfamily employees primarily would advise anybody looking for work to work in their company;" "In the company, nonfamily employees are constantly encouraged to inform a superior of any suggestion they might have for improving a work position, activity or product;" and "If another firm offered nonfamily employees more money for doing the same type of work, they primarily would certainly not accept."

We also studied the impact of two factors, including the age of the firm and whether the top executives were family members only or a mix of family and non-family.

Our Findings

In investigating the three factors and analyzing the results, we saw that helping nonfamily employees identify with the firm had a positive impact on financial performance, and participating in decisionmaking had a direct positive impact on innovation performance. A feeling of loyalty to the firm had little impact on either financial or innovation performance in most cases. Among the two control variables (firm age and duality of management), we saw that older firms performed better financially.

We also looked at the effect of various combinations of the three factors, and saw four major combinations, with one factor usually predominating. The most innovative companies had one of the three conditions in place – non-relatives identified with the firm, participated in decisions, or felt a sense of loyalty -- and in some cases all three conditions were present. But in two of the four combinations, participating in decisions was the dominant factor, which tells us that non-relatives need a say in order to help the firm innovate.

We also saw some interesting twists when we factored in the age of the business and the structure of the top management. Companies innovated better when the CEO and board chairman are not the same person. And while younger firms managed to innovate if just one of the three conditions were in place, older firms needed all three, and participating in decisions was the most important.

As with innovation, good financial performance also required that one of the three conditions be present, and some conditions dominated over others. When we studied the combinations of the three factors, we saw that financial performance was highest when employees identified with the business. At younger firms where the CEO and board chairman are the same person, loyalty spurred the best financial performance. At older firms with the same person in the top roles, participating in decisions motivated non-relatives the most.

Takeaways

Our study has generated some important insights for managers about the interactional behavioral complexities that impact how nonfamily employees contribute to achievement of financial and innovation performance.

- Encouraging non-relatives to help the family business be more innovative requires a different strategy than getting them to help improve financial performance.
- To encourage innovation, inviting non-relatives to participate in major decisions is paramount. It has the power to re-shape their interactions with co-workers inside and outside the family and cement their commitment to the business.
- At younger firms where employees' workplace experiences are new, having one of the three conditions in place was enough to jump-start innovation.
- No matter which of the three conditions were present or dominant, innovation improved when

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the CEO and board president were two separate individuals. Apparently, in this case, the old adage of "two heads are better than one" fits the situation.

- Loyalty to the firm was not a core condition for either innovation or financial performance, with one big exception: at younger firms with separate CEOs and board presidents, where it impacted both performance measures. This suggests that employees' loyalty motivates them to invest effort in developing ideas and speaking up with suggestions for change.
- The recruitment and hiring process is the ideal place to start creating a workforce whose identities are in harmony with the family firm's. External job descriptions should clearly articulate the firm's mission, vision, and values. This can help the firm attract new hires whose work identities already align with the firm.
- To give nonfamily employees a feeling of "belongingness," invest not only in capital projects and technology, but also in their future development and growth. When employees feel competent within their ever-changing profession or job position by having their skills updated, they remain energized and motivated. Such continual development makes them feel more integrated and gives them a sense of psychological ownership that reinforces firm loyalty.
- Creating conditions where employees feel more rooted will help them be more involved in decisionmaking. Structured work teams and frequent performance reviews can be effective here.
- Treat non-relatives the same as relatives in policies for compensation, firing, promotion, and training. If non-family employees experience equity with family employees when it comes to human resource rules, they perceive "integrativeness" and will contribute to both innovation and financial performance.
- Create the conditions that promote healthy employees (i.e. physically, mentally, spiritually) from inside and outside the family. That means caring about their families and giving them leeway to attend their loved ones' important events. Other strategies include special events like golf tournaments, employee recognition programs, and celebration luncheons when an important milestone has been achieved.

It may take some time, but creating conditions that help non-relatives feel more rooted in the workplace, and where their own work identities feel at home in the family business, can improve both innovation and financial performance.

Explore the Research

Unmasking nonfamily employees' complex contribution to family business performance: A place identity theory approach (https://www.sciencedirect.com/science/article/pii/S1877858523000426?via%3Dihub) . Journal of Family Business Strategy, December 2023.

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