

Why Some Job Seekers Avoid Family Firms

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Family firm branding can make a company appear authentic, but it's also important to convey innovativeness, prestige, and a fair shot at getting ahead.

While approximately 75% of new jobs worldwide are in family firms (Shanker & Astrachan, 1996; Wittmer et al., 2022), these firms often struggle to recruit new employees. “When looking for an employer, many [job seekers] initially look to the well-known names of the large corporations and only rarely focus their career planning on family businesses,” notes Stefan Klemm, Founder and Owner of the Entrepreneurs Club in Munich. (Karrieretag Familienunternehmen, n.d.).

Why do job seekers rarely consider family firms as potential employers? Our recent study explored why many family firms experience difficulties in recruiting, and we assumed it had to do with how job seekers stereotype family firms. So, we set out to understand these stereotypes and whether they made family businesses less attractive to job seekers. We believed that answering these questions would help family businesses develop more effective strategies to attract the best candidates for jobs.

How Job Seekers Perceive Family Firms

Family firms often choose to identify themselves as such in their recruitment materials. When they do so, job seekers process the “family brand signal” by forming opinions about the specific company based on their stereotypical beliefs about all companies belonging to

the family firm category.

These category-based beliefs can be symbolic or instrumental (Lievens & Highhouse, 2003; Lievens et al., 2007). Symbolic beliefs involve perceiving the firm as authentic or innovative. Instrumental beliefs involve the more objective attributes of the firm, such as HR practices. In our study, we assessed job seekers’ symbolic and instrumental beliefs about family firms. We then explored how those beliefs influenced their attraction to family firms as potential employers.

First, we assumed that job seekers would believe that family firms are more authentic than nonfamily firms, drawing on research about consumer perceptions of brand authenticity. Because an authentic brand is perceived to be credible, to have integrity, and to communicate symbolic values, we anticipated that the family brand signal in recruitment materials would cause job seekers to see the company as authentic and be more attracted to it.

We also anticipated that job seekers would believe the stereotype that family firms are less innovative than nonfamily firms. As Gaskell (2018), an innovation consultant, states, “When you think of the most innovative companies, you probably think of the nimble startup or the Silicon Valley based tech giant. What you probably don’t think of is a family firm.” Entrepreneurship research tends to support this notion, finding that family firms spend less on R&D, file fewer patents (Morck et al., 2000), and are more risk averse (Hauswald et al., 2016; Naldi et al., 2007) and less opportunity-driven (Short et al., 2009). We also know from research that job seekers, in general, are more attracted to innovative firms. All of this suggests that job seekers may be less attracted to family firms because

they believe they are less innovative than nonfamily firms.

Finally, we anticipated that job seekers would believe that family firms have inferior HR systems, compared to nonfamily firms. We learned from HR research that family firms tend to have a reputation for favoritism and bias (Madison et al., 2019), along with less professionalized HR practices (Stewart & Hitt, 2012; Tabor et al., 2019). We also know that job seekers are more attracted to companies with reputations for equal treatment, fair compensation, and career advancement opportunities. Therefore, if job seekers didn't have these beliefs about family businesses, they would be less attracted to them as potential employers.

What We Studied

We conducted an experiment to assess job seekers' beliefs about family firms and whether they'd want to work there. We recruited 1,731 participants from two sources. One sample consisted of students in their last year of study at seven technical and applied science universities in Germany and Switzerland. The other sample consisted of participants from a research panel provider called Clickworker.

We presented the participants with recruitment advertisements that were created to communicate whether or not the hiring firm was a family firm. This communication was done via different branding elements. Specifically, we manipulated the company name, the tagline, and the visual in the recruitment advertisement to convey whether the company was family-owned or not. Each participant saw one advertisement that either contained family firm branding or did not contain any family firm branding. Then we asked them their beliefs about the brand authenticity, innovativeness, and HR practices of the company depicted in the advertisement along with their level of attraction to the company as a potential employer.

What We Found

First, as we expected, job seekers believed family firms to be more authentic than nonfamily firms -- but surprisingly, these beliefs made them less attracted to them as employers. Second, and contrary to our expectation, we were surprised to learn that job seekers were more attracted to family firms because they perceived them to be more innovative. In addition, we found that job seekers believed that family firms have inferior HR systems, but these beliefs did not influence

their attraction to family firms as potential employers.

To understand these surprising findings, we dove deeper into our dataset and discovered some very interesting insights. One was that job seekers who value prestige and social status were less attracted to family firms because they believed family firms to be more authentic. These same job seekers also were not attracted to family firms because they believed their HR systems were inferior to nonfamily firms. This finding may be because authentic family firms are known to be more faithful to the family and its values, and this may not be what this kind of job seeker looks for in a place to work. They likely doubt that the family firm will serve their goals of acquiring prestige, and their values may not align with the family firm's values. They might think that a family firm would be a less rewarding place to work because rewards are often given to family members due to family ties rather than competence and skills.

Another interesting finding is that job seekers' family firm experience and career stage mattered in shaping their beliefs about family firms. Specifically, early career job seekers perceived family firms to be less innovative. However, as they gained more experience in the workplace, they started seeing them as more innovative. In addition, job seekers with family firm experience believed that family firms were more innovative than nonfamily firms. These are interesting findings because they show that job seekers with more work experience (in their career and at family firms) do not share the stereotypical view that family firms aren't innovative.

Takeaways

Anecdotal evidence suggests that family firms hesitate to promote the family nature of the firm, and our research findings might explain why: Job seekers have beliefs about family firms that are not always positive. Based on our results, we recommend that family firms carefully consider whether and how to communicate their family ownership in their recruitment materials.

If the family firm knows its targeted job seekers well, it can strategically create recruitment materials that will attract them. For instance, if job seekers with less work experience believe that family firms are not really innovative, family firms can benefit from conveying their innovativeness in their recruitment material targeted to university students. As an example, instead of a generic tagline like "A family firm since 1950," a more effective

tagline to debunk stereotypical beliefs might be “A creative and innovative family firm.” Similarly, a tagline and visuals conveying the positive aspects of the HR systems such as competitive pay, excellent benefits, and career advancement opportunities could help generate more favorable perceptions about the family firm.

In addition, we find that unlike consumers, job seekers are less attracted to authentic companies. Thus, we caution family firms from conveying brand authenticity in recruitment materials.

Explore the Research

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