Entrepreneur & Innovation Exchange
Published online at FamilyBusiness.org on March 22 2023
DOI: 10.32617/891-641b10a09d56e

How Family Firms Help Non-Family Employees Feel Like Family

Peter Jaskiewicz (University of Ottawa)
Josh Hsueh (Jönköping International Business School (JIBS))
Elizabeth Tetzlaff (University of Ottawa, Telfer School of Management)
Giovanna Campopiano (University of Bergamo)

KEYWORDS: Management, Family Business, human resources, Help with a family business, Running a family business tips, Successful family businesses.

Family businesses often behave in unique ways: They forego business opportunities to retain the family's control over the business, stick to family traditions that are outdated, and prefer family over non-family candidates in leadership positions. A good deal of evidence shows that these practices undermine family firms' formal governance, growth, and profitability.A recent fictional example is the Roy family from the award-winning HBO television series "Succession." This series depicts dysfunctional dynamics and shows family members with limited or no merit eager to occupy strategic positions in the family business, which alienates the non-family talent, increasing the risk of the family empire going bust.

In reality as well as fiction, non-family employees often scrutinize family businesses and their behaviors. However, apart from some bad apples, we still know very little about how some family firms successfully encourage those non-family employees to feel devoted and committed.

You can imagine that when family firms continuously give family members priority, non-family employees will begin to question not only the family firm's competence but also its moral value: whether it even cares about non-family stakeholders. At some point, these disillusioned non-family members will feel less commited and identify less with the business. In general, non-family employees identify less with the family business than relatives do. This can erode the family firm's competitive edge, because employees who identify less with their employer are less motivated to complete their work, address issues, and capture emerging opportunities. So how can family firms help non-employees feel like family?

Based on three experiential studies, involving 493 non-family employees from various U.S. family firms, we find that family firms can boost non-family employees' emotional connection with the family firm using three approaches.

1. Shift their perceptions of the firm.

When family firms hire, promote, and reward only family members, non-family members may see the owners as biased and morally questionable because they appear to care only about their family. To begin to change these negative perceptions, the firm can pursue strategies that show they care for stakeholders beyond the family. A proactive Corporate Social Responsibility (CSR) strategy, which identifies a need in society and proactively works to tackle the underlying problem, is one option. Our research indicates that a proactive CSR strategy improves non-family employees' perception of the moral value of the family firm, helping to convince them that the firm cares about outside stakeholders and society in general.

2. Compensate them for the perceived glass ceiling.

Business families tend to put family members in strategic management positions and aim to pass on the family business to future family generations. Seeing family members glide easily into top jobs leads non-family employees to think that they have limited advancement opportunities. Fortunately, family firms can positively change non-family employees' perceptions here. We find that non-family employees will feel more positively about the firm if they are offered management positions in strategic areas that do not threaten family control of the firm, such as in CSR decision-making. This may be because they feel compensated for the perceived exclusion from other decision-making processes. In these instances, non-family employees feel better about the family firm's commitment to outside stakeholders, and thus its moral value. They also feel better about the firm's competence because it's letting non-relatives have decision-making power.

3. Reward non-family employees who share your values.

Finally, we suggest that family firms provide more opportunities for non-family employees who share the family's values, because they are more likely to regard the family business strategies and behaviors favorably. For example, if non-family employees believe that it's right for the family to keep control of the business, they will support the next generation assuming positions of power. Thus, regardless of the firm's strategies, non-family employees whose values align with the family's are more likely to identify with the family firm. Conversely, non-family employees who don't share the family owners' values tend to question the firm's moral values and competence, and therefore, identify less with their employer.

Although it seems straightforward to consider a job candidates' values when hiring, family firms may have to accept certain trade-offs. Hiring only non-family employees who share the family's social values might also mean missing some top talent who do not share the family's values.

Limitations

In our three experimental studies, the average family firm is a medium-sized business with a board that monitors strategic decision-making (e.g., CSR strategies). These family firms appear eager to pursue approaches that improve their human resource management and/or other strategies to positively influence non-family employees' perceptions. However, we recognize that these three approaches, though promising for many family firms, might be less relevant to very small family businesses that lack formal HR management and/or CSR strategies.

Takeaways

Ultimately, there is no "one-size fits all" approach to help non-family employees become more emotionally attached to the family firm. Family firms can show that they care for stakeholders beyond the family by adopting a proactive CSR strategy and then involving non-family employees in related decision-making; these two approaches are especially powerful when combined. Family firms can also focus on non-family employees who share the family's values. Implementing any of these approaches helps family firms have a supportive team of non-family employees who can give them a competitive edge. However, while helping non-family members connect more emotionally with the firm, be mindful of how family members react to these efforts. Make sure their own connection and identification with the firm remains strong.

Explore the Research

Managing non-family employees' emotional connection with the family firms via shifting, compensating, and leveraging approaches (https://www.sciencedirect.com/science/article/pii/S0024630122000930?via%3Dihub) **.** Long Range Planning, November 2022.

FamilyBusiness.org (2023)
DOI: 10.32617/891-641b10a09d56e