Do Family Cohesion and Family Member Skill Evaluation Affect Family Business Internal or External Hiring Decisions?

George S. Vozikis
California State University, Fresno

K. Mark Weaver
University of South Alabama

Eric W. Liguori
California State University, Fresno

A number of research studies have pointed out that significant differences exist between family and non-family firms, and these differences are most pronounced in the area of human resources (Dunn, 1995). For example, some studies found that human resources decisions in family businesses are influenced more by family values and personality traits than by objective performance measures (Welsh & Klandt, 1997). Family values and culture create a filter in the decision-making process that complicates human resource issues such as selecting and training a family member. The present article attempts to make a contribution to the body of knowledge on family businesses concerning the extent to which family cohesion influences the selection criteria, the evaluation process and the training of family members. Because of the fact that this was a pilot study and employed only a small sample of family firms, the findings are still in need of further investigation and cannot be generalized.

INTRODUCTION

There is increasing discussion nowadays, concerning the idiosyncrasies of hiring decisions in family businesses. A family business is a company owned or managed by at least two members of a family (with the short or broader meaning of the term). Even though family business management is a pretty new field of academic investigation, family businesses are responsible for the biggest part of the Gross Domestic Product in many countries (e.g. more than 60% of the GDP in United States, (Gomez-Mejia et al., 2001) and 45% to 70% contributions in GDP throughout the rest of the world).

Family businesses account for 40–60% of the U.S. gross national product Family businesses include a gamut of enterprises where an entrepreneur or later-generation Chief Executive Officer (CEO) and one or more family members influence the firm via their participation, their ownership control or strategic preference (Poza, 2004). Hence, the defining characteristic is the involvement of family members in some form in the business, given our interest in the levels of involvement (Chua et al., 1999). In addition, it is highly important that the wealth creation orientation of family businesses has a more long-term character, in comparison to big corporations, where managers strive for immediate, short-term profitable results to strengthen their position in the organization.

Many researchers have looked into issues inherent in family business, like succession of business and balancing familial with professional expertise through the business perspective, and most have eventually realized that the element of psychological underpinnings of family dynamics is very important. First, as a team which sees itself as such and seen by others as an intact social entity embedded in one or more larger social systems (Cohen and Bailey, 1997); as an organization bound for transition (Dyer, 1986); and continuously facing challenges (Rosenblatt et al., 1985). According to Hoover & Hoover (1999), the greatest threat to the continued survival and success of any family business is not so much linked to external factors like technology, customers, and competitors, but rather inextricably associated with the relationships among family members. In a study investigating family business networks.

Alizadeh (1999) found that family interests tend to have a strong impact on the operation of family business and unique problems may arise, as the relationships between family members are not always smooth. Similarly, Benson et al., (1990) attributed errors made in family firms to the excessive influence of the family subsystem on the business. Other researchers also focus much attention on the impact of family relationships on family businesses especially as it relates to issues of leadership and future growth (Ward, 1987). As a result, within the family domain itself, the family relationship is examined, not because the business problems of family firms are so different from those faced by non family businesses, but rather because “family business is the business of relationships” and “relationships are at the heart of family business” (Hoover & Hoover, 1999, p. 1).

Since relationships are so critical for the health of a family firm, it is obvious that seeking the appropriate people to staff newly created positions is a challenging job for any company in the growing stage. What is considered a common occurrence in family businesses is the assignment of managerial positions to family members. In this way, the family firm believes it can gain certain advantages, namely, high level of trust, easy communication channels, but most importantly integrated family values (Rose, 2000). However, when there are no suitable family members available, the family firm decision makers cannot help but resort to outsiders in their attempt to select the best leaders for their businesses (Ding & Lee, 2008; Deloitte & Touche Survey, 1999). This lack of availability of suitable family members is not only caused by the absence of skillful family members, but it is also due to their different career plans and aspirations. Hence, in many circumstances, quite a few family businesses hire a non-family manager to lead the company and augment the skills and interests held by the family members (Keyt et al., 2007).

Most of the literature regarding the abilities of family members is focused mainly on the abilities of an effective successor in the family business. Identifying these qualities during the succession process allows the family firm the opportunity to select an effective leader who is capable of rejuvenating the business in the future after the incumbent leaves office (Ibrahim et al., 1999; Ward, 1987). Indeed failure to plan for succession has been cited as a fundamental human resource problem as well as the primary cause for the poor survival rate of family firms (Handler, 1994; Dyer, 1986; Ibrahim, et al., 2004). As a matter of fact, family firm top executives have an average tenure of 24 years which is twice the average observed in widely owned companies, precisely because of either failure to plan succession or the absence of a suitable successor (Beckhard & Dyer, 1983). Empirical results from these studies suggest that there are three factors that are critical to an effective human resource strategy concerning the selection process of a successor. These include the successor’s capacity to lead, his or her managerial skills and competencies, and the willingness and commitment of the successor to take over the family business and to assume his or her leadership role.

What is more, it seems that the evaluation criteria for family members are either changed very much or at least loosened considerably in comparison with the corresponding evaluation criteria for non-family members. Pollak (1985) argues that certain dangers are associated with this attitude of family businesses suggesting that “nepotism may prove a serious problem for the family firm.” Similarly, Barach et al. (1988) conclude that after all, in many circumstances choosing a family insider may be against the interest of firm’s shareholders.

Hence, hiring decisions in family businesses involve significant implications for the business, as well as for the social environment in which it operates. For this reason, it is of high importance to investigate how family businesses recruit individuals and then assign them to managerial positions. In this study, we intend to address this limitation of current research, by developing a conceptual model of hiring orientation linked to the level of family cohesion and skill evaluation of family members as potential managerial material for the company.

More specifically, we intend to investigate in what way this relationship affects the evaluation of skills and subsequently the specific hiring decisions in family businesses, as well as the training process for the development of those skills among family members. Furthermore, our research aims to further investigate the implications of family cohesion concerning the techniques used by family businesses for the training and evaluation of family members. Our objective is to reach certain conclusions regarding the reasons for an internal vs. an external hiring decision and vice versa. To achieve this goal, we operationalized our conceptual framework by conducting a pilot empirical study with a sample of 10 family firms through a semi-structured interview process.

THE IMPORTANCE OF FAMILY COHESION

The key element of a family system that usually has the strongest influence on the operation of business is the social ties among family members (Aronoff & Ward, 1995; Pollak, 1985). Amundson (1997) stated that "family relationships may not appear to be too important to the success of a family business until you witness the unraveling of a great organization due to family bickering, backbiting or outright conflict". Family cohesion therefore, refers to the degree of closeness and emotional bonding experienced by the members in the family (Olson et al., 1988). There are four levels of cohesion (ibid): (1) disengaged (very low); (2) separated (low to moderate); (3) connected (moderate to high); and (4) enmeshed (very high).

In the balanced levels of cohesion (separated and connected), individuals are able to be both independent from and connected to their families. More specifically, in a separated family system, there is some emotional separateness, but there is still time spent together for joint decision making and mutual support. As for a connected family system, time being together is deemed more important than time spent alone and there is emotional closeness and loyalty in it. At the extremes or unbalanced areas of cohesion, family members have either limited commitment to their family (disengaged systems) or limited independence within the family (enmeshed systems) (Olson, 1988).

The conflict between family relationships and family business has been associated with various different psychological outcomes. These include job satisfaction, team satisfaction, and organizational commitment (Burke et al., 2006). Many individuals have encountered the effects of the conflict between work and family domains on work and non-work related attitudes and behaviors (Wiley, 1987; Zedeck, 1992) and this population includes those who work in a family business (Dumas, 1990). Consequently, some family businesses may not allow family members; some may employ family according to certain rules; and others may freely employ them (Whiteside & Brown, 1996).

In highly cohesive families, parents spend a considerable amount of time discussing their future expectations and plans with their children (Olson et al., 1988). This particular kind of communication fuels the children's desire to fulfill their parental dreams of prolonging the life of the business, by passing the torch to the children. This overtly manifested desire coupled with a high degree of parental loyalty enhances the children's commitment to the family business organization.

Job satisfaction is the degree to which an individual has a positive, affective orientation toward his or her role at work (Hackman & Oldham, 1980). The interrelated variables of job satisfaction are organizational characteristics, job task characteristics, and worker characteristics (Poulin, 1994). When individuals experience more conflicts between their roles in the work and family domains, their level of job satisfaction decreases (Wiley, 1987). High cohesion suggests that the family has the ability to maintain distinct boundaries between family and business (Olson et al., 1988; Rosenblatt et al., 1985). Hence, a family with high cohesion minimizes the possibility of transferring family problems and strains into the business, which in turn may affect job satisfaction.

Greater cohesion also nurtures an increased loyalty to the family. It is believed that a high degree of loyalty brings about a feeling of responsibility to look after family assets and decreases the possibility of leaving the family business. Furthermore, according to Olson et al. (1988), family members in highly cohesive families tend to unite together in times of distress. Nevertheless, in a study of Scottish family enterprises (Dunn, 1995), it was found that good family relationships were only one criterion for a successful family business, because the family system is so closely and intimately interconnected with the business system that one system cannot change without affecting the other system (Kepner, 1991).

ABILITIES OF FAMILY MEMBERS

If the owner-manager trusts that the family member knows the business well, has confidence in his/her integrity and ability to manage the family business, can deliver good business results, and if he believes that the family member has the best interests of the family business at heart, the business is more likely to remain profitable and stakeholders will be more satisfied with the selection of a family member. One should view the owner-manager's trust in the family member's abilities and intentions to manage the business, in relation to the external preparation level of the family member. No matter how well educated the successor is, if he cannot be trusted by the owner manager to be honest and make decisions in the best interest of the business, the family firm's future will be at risk.

The mechanism that may lead to trust a family member's abilities in a specific family business, may not work in another. Sometimes, family perceptions become more positive over time, as they perceive the accomplishments and external recognition of the family member. An owner-manager may consider few years' tenure within the business as necessary to develop trust in the family member's abilities, while another may regard education as a more critical ingredient. Family members can be entrusted to manage small departments or projects within the family business. This way they are allowed to illustrate their abilities in a climate, where mistakes are tolerated. For some family business owners, the way the family member deals with other family members may be an even more important factor in determining their trust level.

One mechanism that could be used to help the newly employed family members in the company to ascertain whether their abilities will fit in the needs and requirements of the business, and assist them in making an informed career choice, is open communication between the owner-manager, the new family member and other family members. During these discussions, owner-managers could convey their feelings about the values of the business and how they see the future role of the family member in dealing with the family business. It is obvious that if family members share the same values and show mutual respect to each other satisfaction will be higher, and the transition will be handled more effectively (Dyer, 1986; Morris et al., 1997).

Trust must be built among family members and everyone should clearly identify, acknowledge and accept their roles in the business as well as in the succession process through positive communication, and unmistakably know "what's in there for them" in terms of personal gains in exchange for their support, so conflicts and rivalries that may affect the succession effort negatively are avoided. It is quite obvious that a positive relationship exists between good relations and communication and satisfaction with/and the overall effectiveness of the succession process.

Another way for family members to enhance the owner-manager's trust in their abilities, is first to prove themselves inside or sometimes outside the family business. The successor's appropriateness and preparation depends on a number of variables that are easily measurable and refer to the knowledge, skills and overall grounding of the successor (Kets De Vries & Miller, 1987; Morris et al., 1997). It is the owner-manager's responsibility to help the family member build authority, both in the family and in the business, and to create an environment conducive to experimentation and forgiving of errors after these errors have been corrected and have served as important lessons. This will go a long way in developing the family member's self-confidence and managerial autonomy. Overall, three elements are critical for integrating an effective new family member in a family business beyond mere on-the-job training: leadership attributes, management skills and competencies, commitment to the family firm, and respect and understanding of family members and non-family employees (Pyromalis et al., 2006).

EVALUATING FAMILY MEMBERS' SKILL LEVELS

What is broadly considered as an adopted policy in family businesses is the discriminatory evaluation between family and non-family members' skills. This is due to several factors. On the one hand, family members are believed to be trustworthy and are expected to remain loyal even under difficult circumstances. Hence, theoretically, their commitment, motivation and propensity for hard work are taken for granted, based on family links and long-standing interpersonal relationships (Matlay, 2005). On the other hand, non-family employees are mostly perceived as "assets on legs" and considered liable to walk away or be poached by external agents. In practice, however, owner-managers' expectations for productive performance of family members are often proved unrealistic. Furthermore, family members are considered by owner-managers more suitable for the executive positions. According to a recent study the majority of them, claimed that employing relatives in their businesses would generally have a mitigating effect upon both current and future managerial and supervisory skill shortages (Matlay, 2005).

There are also issues relating to motivation and interest. Family members are mostly expected to comply with an owner-manager's choices and desires. In the case of non-family employees, unlike the family employees, there may be a need for the use of various incentives, including modest financial inducements or productivity-related bonuses. Finally, owner-managers also pay a great deal of attention to the personality characteristics of potential employees. In case when two people are pretty close in qualifications, they most likely always choose character over competency because character is what is going to see you through.

It is clear however, that as far as family members are concerned, the official business hiring processes are loosened and informal approaches are adopted when owner-managers are faced with the difficulties in defining a distinct dichotomy between business and family relationships in their hiring practices, and most would confess that this issue often results in conflicting and negative outcomes such as lack of formality in written job descriptions, fixed compensation plans, formal employee performance reviews, and regular meetings (Harveston et al., 1997).

TRAINING FAMILY MEMBERS

As evidenced by the previous discussion above, the selection, compensation, appraisal, and training practices of family firms reveal the level of overlap between the family and the business identities (Lansberg, 1983). The number of family members employed by the business, the levels at which they work, how they are hired, and how they are compensated, evaluated, and trained are critical indicators of location on a family business cohesion continuum. The weight given to family membership, particularly for higher level managerial positions, and the investment allocated for corresponding training, provides insight on permeability of the family–business boundary. Having people common to both realms provides for cross-fertilization, and the presence of family members in key positions allows control over decision making, enabling uniformity between family and business values and systems (Astrachan et al., 2002).

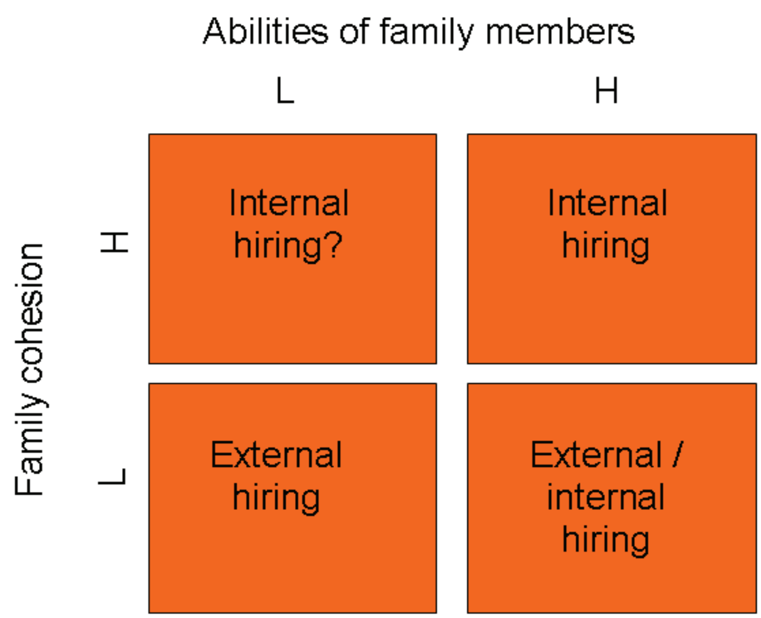
Using Shanker and Astrachan's (1996) classification of family involvement, the level of integration and training carried out will be high in firms with considerable family involvement, medium in firms with some family involvement, and very low in firms with little direct family involvement. As a result, owner-managers in family businesses perceive training in two distinct ways depending on whether they address a family or a non-family member. On the one hand, the training of family members is considered as an investment with medium and long-term returns for the business. In addition, training techniques that concern family members have also a career development orientation, trying to satisfy not only the business needs but also the needs, expectations and ambitions of family members themselves (Matlay, 2005). On the other hand, the training of non-family members is viewed strictly in terms of firm-specific needs. Thus, training requirements are approached in accordance with actual or short-term organizational needs and not as a crucial element of medium or long-term organizational strategy.

CONCEPTUAL MODEL

With few exceptions (e.g., Ding & Lee, 2008) there has not been a theoretical framework available in the literature to date that considers how family cohesion influences hiring decisions. Specifically, Ding and Lee (2008) related family cohesion with exigencies of environmental uncertainty labelling family cohesion the "invisible hand behind hiring decisions of family firms." But how does family cohesion influence the evaluation of the skills and abilities of family members, as potential managers, who are not necessarily successors to the incumbent family patriarch or matriarch, and how does this evaluation affect hiring decisions of family or non-family members in family businesses? In other words, given the level of intensity of these two variables and the corresponding results from their interaction, would the firm prefer hiring internally or externally?

In this article, we attempt to present a model of the family business that describes the relationship and interaction among hiring decisions, family cohesion and abilities of family members. Our aim is to investigate whether the hiring decisions of a family firm, taking in account the family cohesion and the evaluation of the level of abilities of family members are unique influencing factors.

FIGURE 1
PROPOSED CONCEPTUAL MODEL



When a cohesive family enterprise has an adequate number of qualified adults, the family entrepreneur is more likely to fill positions with family members, assuming that the candidates are interested in joining the family firm. This factor has also been cited by the literature as very important (Barry, 1975; Goldberg & Woolridge, 1993; Morris et al., 1997). It seems that the willingness to participate and be considered for employment in the family firm depends on three main variables: commitment to the family; the maturity of the individual, and finally; the degree of responsibility exhibited by the family member prospective employee. The stronger these three variables are, the stronger the family member prospective employee's willingness to enter the family firm.

The advantages of hiring from the family also include easier and better communication, training future successors, flexible compensation and high level of trust between employer and employees (Rose, 2000).

Proposition 1: When family cohesion is high and family members have been evaluated as having a high level of abilities, family firms are more likely to hire family members.

When family cohesion is low and the family does not have many qualified adults, the family entrepreneur is more likely to look for talents outside the company. The viability and the continuation of the family firm depend on the effectiveness of all employees. So external hiring is the only way for the long term wealth of the family firm. Additionally, managers-owners do not feel 'obliged' to hire internally as there is conflicts among family members.

Proposition 2: When family cohesion is low and family members have been evaluated as having a low level of abilities, family firms are more likely to hire non family members.

What needs further investigation is what happens when family cohesion is high but there is lack of talented adults in the family. The owner is usually heavily influenced in that particular decision by other family members and it is difficult for him to reject a prospective family member employee, as this may provoke family conflicts, and the general assumption and presumption would be that the family firm may choose internal hiring as any external hiring will jeopardize the family cohesion which is of primary importance for the family members. However, two aspects of family culture based on the Circumplex Model of Marital and Family Systems are particularly salient in this regard: family cohesion and flexibility (Olson & Gorall, 2003).

Family cohesion as mentioned earlier, pertains to the emotional bonding among family members ranging from enmeshed/overly connected, to very connected, to connected, to somewhat connected to disengaged/disconnected. In addition to emotional bonding, other dimensions of cohesion that may complicate the external or internal hiring decision involve boundaries, coalitions, time, space, friends, decision making, interests, and recreation. Because integration enables additional connectedness, business families that tend to be overly connected will likely integrate family and business more than those that are on the other end of the cohesion anchor, and therefore an internal hiring decision may be made regardless of the low level of ability exhibited by the prospective family member employee.

Family flexibility, another cultural dimension, refers to the degree of change allowed in its leadership, role relationships, and relationship rules. Flexibility refers to the "when" of a boundary—the degree to which an individual is adaptable to when a particular role or domain is invoked. For example, a family business owner is typically able to perform some tasks for the company business even during what are traditionally non-business hours (weekends, late at night, etc.), thereby having role flexibility. Families can range from overly flexible/chaotic, to very flexible, to flexible, to somewhat flexible, to rigid/inflexible. Arguably, rigid family cultures are more likely to segment, whereas more flexible families are likely to have highly permeable boundaries and integration between family and business, and therefore, an external hiring decision may be made because of the perceived low level of ability exhibited by the prospective family member employee.

Proposition 3: When family cohesion is high and family members have been evaluated as having a low level of abilities, family firms are more likely to hire family members if family flexibility is low, and more likely to hire non-family members if family flexibility is high.

What is more complex is the behavior of the family firm considering an external or internal hiring decision, when family cohesion is low but family members do have high level of abilities. The general assumption and presumption would be that the family firm may choose either depending on the existing business environment, job description of the position and family relationships. However, as we have seen earlier, within the family business context the two relevant identities and domains (the family and the business), can be segmented or integrated to different degrees. Family businesses can be arrayed on a continuum anchored by high segmentation of family and business identities and domains, a state that resembles a nonfamily business, to high integration and very strong family cohesion.

This is manifested in several observable means: association between the family and business image, culture, personnel, ownership/governance, contractual relations with family, and the relationship between family and business finances. In addition to these factors being manifestations of a current state of integration, these factors can be consciously manipulated in order to create and maintain the desired level of domain integration. While these dimensions are not exhaustive, based on the integration of the work–family boundary literature (Nippert-Eng, 1996, pp. 149–55) and the family business literature (e.g., Lansberg, 1983; Tagiuri & Davis, 1996) they are representative of the characteristics that denote the degree of integration between the family and business domain identities. The permeability of boundaries, along with the degree of contrast in identities, determines the extent to which a given pair of roles or domains is segmented or integrated (Ashforth et al., 2000; Rau & Hyland, 2002).

Permeability refers to the "what" of a boundary—the degree to which a role allows elements of another role to integrate and assimilate with it. For example, an individual bringing his or her child to work, a person working in the same office as his or her spouse, or someone working at home are all signs of permeable work–home boundaries. Inflexible and impermeable role boundaries tend to be associated with high contrast in identities between roles because there are very few avenues for the values and beliefs of one role to influence the other, thereby promoting "thick" boundaries or highly segmented roles (Ashforth et al., 2000). Conversely, highly flexible, permeable boundaries enable low contrast between sets of roles and thereby foster "thin boundaries" or more integration.

Proposition 4: When family cohesion is low and family members have been evaluated as having a high level of abilities, family firms are more likely to hire non-family members, when family and business boundary permeability is low, and hire family members when family and business boundary permeability is high.

PILOT STUDY RESULTS

In order to test our model we undertook a pilot study to empirically test our conceptual model. To that effect we conducted semi-structured interviews with authorized individuals from ten Greek family firms, each of whom had expressed an interest in participating and responding to our questions. The questionnaire had a rather open-ended personal interview format aiming at gathering as much qualitative data with regards to the hiring decisions of those Greek family firms. Our pilot study participants represented a wide range of industries and markets, such as, construction, chemicals, cosmetics, retail clothing, and tourist services. Their size, in terms of number of employees, ranged from 13 to 51 employees and in most of the firms majority ownership allowed the respondent to make the hiring decisions. Table 1 presents the frequency distribution of the pilot research sample in terms of total employees, number of family members working for the company, number of non-family members that have been hired in managerial positions, and finally the stage of the firm's development expressed as the generation involved in the company.

TABLE 1
FREQUENCY DISTRIBUTION OF THE RESEARCH SAMPLE

	Total employees in the company	Family members working in the company	Non-family members in managerial positions	Generation involved in the company
Company 1	20	4	3	2nd
Company 2	13	5	2	2nd
Company 3	51	4	5	2nd
Company 4	40	4	2	1st
Company 5	49	5	1	2nd
Company 6	45	4	0	2nd
Company 7	14	6	3	4th
Company 8	27	12	6	2nd
Company 9	32	5	3	3rd
Company 10	23	4	1	2nd

PRELIMINARY FINDINGS

During the personal interview of family firm representatives, one of the questions was what family cohesion means for them. The majority of them answered that it means family harmony. Family members who trust, respect, appreciate and care each other are likely to cooperate with each other and support each other's decisions, both within the family unit itself and in the family business. It can be safely argued that a high degree of harmony within the family may facilitate the business decision process and set up appropriate processes for preparing family members to take over managerial positions in family firms, hence, family harmony can be conceptualized as an expression of high family cohesion. Additionally, the interviewees stated that family cohesion constitutes the main factor contributing to family business development by since the mean response to the critical question 'How much do you grade your family's cohesion?' was 4 or 5 on a Likert scale. We then went through the responses in order to assess the validity of our initial propositions.

Propositions 1 and 2 were corroborated by the responses we received from our limited sample, but these were the easy choices for the family firm respondents. As far as Proposition 3 is concerned, the responses impressed upon us that this proposition was not clearly corroborated by the respondents. Most of the responding family firm decision makers with high cohesion indicated that if they had to choose between a family member with lower skills than what the position required and a more skilful person outside the family environment, they would choose external hiring, contrary to our conjecture. On the other hand, it is noteworthy that all of them have hired in the past a family member with less abilities than what was required. This can be explained by the fact that the family representatives want to have the image of fair and modern manager but in reality, they are influenced by family relationships. For example, if the family member has a direct conflict with the owner-manager, it is more likely that he/she will not be hired. If the conflict is with other family members, the family member may be hired. Consequently, it is not clear whether we should solidly presume that high cohesion means that the family firm will employ a family member with low level of abilities, even with a high flexibility allowed by the family to its leadership. As mentioned earlier, flexibility refers to the "when" of a boundary—the degree to which an individual is adaptable to when family cohesion invokes a particular role or domain and "appeals" for an exception to be made in favour of a low skilled internal hire. Because of the limited sample, it is an issue that needs to be investigated further.

Considering Proposition 4, we found that when family cohesion is low and family members have high level of abilities, the family firm may indeed hire family or non-family members. What the final choice will be is subject to the discretion of the owner-manager and also depends on the family relationships in every occasion. Additionally, the decision depends on the degree of integration between the family and business domain identities, and the permeability of these boundaries, i.e. the "what" of a boundary and the degree to which a role allows elements of another role to integrate and assimilate with it. Permeability is also affected by the degree of contrast in identities, which, as mentioned earlier, determines the extent to which a given pair of roles or domains are segmented or integrated. However, here also, because of the limited sample, this is an area needing further investigation.

ADDITIONAL FINDINGS & FUTURE RESEARCH CONSIDERATIONS

The family firms responding to our open ended interview provided some other interesting findings. First of all, concerning the domains of business and family affairs it was clear that it is difficult to create and define the borders between these two domains. In particular, the greater part of them seem to always discuss business issues at home in their everyday family life. There were certain responses indicating that almost all the members of the family are aware of the course the business is taking, even if they do not participate in the day to day operations or working for the family firm.

Despite their constant efforts to keep family relationships and affairs separate and outside the firm, the majority of them actually cannot achieve this Sisyphean task and they state that, quite often, family issues affect the decision-making process of the company.

It is obvious therefore, as expected, that the multifold aspects of family businesses is also an issue in the Greek business environment too, and it is difficult for the stakeholders of family businesses to put limits between the family and the business life by restricting the permeability between the family and the business domains. Therefore, they just constantly try to keep some balance between them and a happy medium that would make as many stakeholders “happy”.

Moreover, regarding the way the skills of family members are evaluated in order to be considered as suitable potential management material for the family firm, although the sample of companies cannot be considered as representative of the large family business population, certain patterns became apparent from the respondents. To be more specific, when it comes to hire a family member as a new employee, even if there were some kind of a discussion among the upper level managers, the ultimate decision is taken usually by the family member who is also a majority owner and the decision maker. Furthermore, the criteria that used for the evaluation of a family member’s skills are almost always business related.

However, almost all of the respondents revealed that in the past they had hired, at least once, a family member not based on business criteria but rather strictly on family criteria. Hence, there is the definite notion in a family firm, especially in high family cohesion environments, that regardless of what is said or intended, often the evaluation is not based on purely business criteria, but is also affected by the family’s emotional bonds and influence and how flexible and/or permeable the business and family domains are. This is further substantiated by the responses regarding the corrective actions taken by the family owners in case of unsatisfactory performance exhibited by a family member. The majority of the respondents stated that in such a situation, after making some recommendations, they prefer assigning the family member to a different position. Only few of them stated that they were willing to go further firing the underperforming family member.

Finally, as far as training methods to improve family member employee skills it was clear from the responses that there is no distinctly defined training process in the majority of the responding family firms. Usually, coaching takes the guise of training of new family member employees directly by the owner of the firm and only in very few circumstances the manager of the involved department was asked to undertake this duty. Thus, one can conclude that the training of family members is usually dealt on as needed basis, rather as a conscious and formalized process of the family business. Additionally, even though the respondents indicated that prior working experience in another company is highly desirable, once again, the actual facts seem to be contradictory. On one hand the respondents stated that they would strongly encourage a new family member managerial prospect to seek employment outside the family firm in order to gain valuable experience and expertise in another company, preferably in the same industry, that could later bring back to the family firm. Nevertheless, they confessed with dismay that the majority of family member employees in the family business never did that, and when they were hired they had no prior work experience.

DISCUSSION & CONCLUSION

A number of research studies have pointed out that significant differences exist between family and non-family firms, and these differences are most pronounced in the area of human resources (Dunn, 1995). For example, some studies found that human resources decisions in family businesses are influenced more by family values and personality traits than by objective performance measures (Welsh & Klandt, 1997). Family values and culture create a filter in the decision-making process that complicates human resource issues such as selecting and training a family member.

A major reason for these differences lies in the multiple identities of family firms compared to other types of organizations. Simply, family issues are often intertwined with business issues, especially since family members are a priori involved in the business. Such an overlap between the two naturally separate systems and domains – the family and the business - creates unique human resources issues which may hinder the development of a distinct organizational identity that results in an effective human resource strategy in areas such as a prospective family member employee's selection and training. As a result, family firms according to Astrachan & Kolenko (1994) tend to have limited organizational capacity and this constitutes a major cause of the high failure rate of family firms in later generations because of the lack of effective human resource planning especially in selection and training of family members. Even though the size of the average family business hinders their ability to commit and maintain a competent human resource department and develop a systematic formal human resources strategy, it is recommended that they pay more attention to these critical processes and not rely solely on the owner-manager's ad hoc judgment for such important decisions.

Finally, building a more in-depth understanding about the role of identity within the family business system would assist family members in better comprehending the interactions within their family and family business. Family members will thus be able to signal through identity confirmation that they accept differences among each other and by this lower the probability of destructive conflicts. This might help influence the family system in a way that ensures successful succession and reliable and long-lasting interactions with nonfamily managers and family and non-family employees (Klein, 2008).

The present article attempted to make a contribution to the body of knowledge on family businesses concerning the extent to which family cohesion influences the selection criteria, the evaluation process and the training of family members. Because of the fact that this was a pilot study and employed only a small sample of family firms, the findings are still in need of further investigation and cannot be generalized. Further research with a larger and more representative and possibly intercultural sample is needed, in order to confirm and further refine the proposed conceptual model linking family cohesion, family member skill evaluation and hiring decisions in a family firm.

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APPENDIX 1

STUDY QUESTIONNAIRE

What is your business's primary activity or product / service?

General information about the business:

A) Annual sales: B) Number of employees:

C) # of family members working in the business:

D) # of non-family members in managerial positions:

Please give us a short history of the business (year of establishment, succession phase, etc.):

Which generation of the family is currently involved in the business?

Ownership status (who are the shareholders and how many shares percentage they have)?

What does the term "family cohesion" mean to you?

How often business issues occupy your family life?

How much family life and relationships affect business decision-making?

On a scale of 1 (low) to 5 (high), how would you rate your family's cohesion?

Would you hire a family member with different/ lower skills than what you seek for a specific position in the business or you would prefer hiring a more skillful person outside your family environment?

Would you refuse to hire a very skilful family member if there were certain family conflicts relevant with him/her? (question only for low family cohesion businesses)

Who evaluates the skills of a family member (potential employee in the business) and based on what criteria (business or family-oriented)?

Who makes the definitive final hiring decision?

Can you remember a circumstance where you hired a family member based strictly on family reasons?

In case a family member is hired and can't meet satisfactorily the requirements of the specific position, what actions do you take (e.g. maintenance of his/her position, change of position, firing)?

The family members that work in your business, had previous working experience in other companies?

How much a family member that starts his /her professional life and would like to be involved in your business is encouraged firstly to get experiences through working n another company?

Is there any training process that is followed for family members that are hired in your business?

If so, is the training managed by a family member or a non-family member in the business?