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Making sense of HR in family firms: Antecedents, moderators, and outcomes

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ABSTRACT

Family business researchers have felt increasing distress with the lack of understanding about how families – i.e., their structure, relationships, emotions, and goals – shape how families manage family firms, leading to calls to more fully incorporate "family science" theories about the nature of family into research about family firms. It seems likely that families' first impact in family firms will be on how employees are treated and managed. Thus, this special issue brings together papers that offer an early glance at what is to be gained by leveraging theories about family to help explain how families influence human resource management within family firms, and how human resource management, in turn, impacts key family firm outcomes.

1. Introduction

"All happy families are alike; each unhappy family is unhappy in its own way."

- Leo Tolstoy, from *Anna Karenina*

"Govern a family as you would cook a small fish – very gently."

- Chinese proverb

As the above quotes suggest, the governance of a family and by extension family firms is complicated. Family firms are the most common type of organization in the world, and they differ considerably from non-family firms in their goals, behaviors, and outcomes. They pursue unique goals, such as the desire to pass the firm to the next generation (Gómez-Mejía, Haynes, Nuñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), and their unique goals regularly nurture distinctive behaviors. For example, while family firms regularly hire family members (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013), they are also less likely to fire employees – even during economic downturns (Block, 2010).

Although research on human resource management (HRM) in the context of family firms is still relatively scarce, the few existing studies support the idea that family firms differ substantially from non-family firms, as well as from each other, in their human capital management (Griffeth, Allen, & Barrett, 2006; Perez-Gonzalez, 2006), compensation and compensation systems (Gómez-Mejía, Larraza-Kintana, & Makri, 2003), performance appraisal (Gómez-Mejía, Nuñez-Nickel, & Gutierrez, 2001), knowledge transfer (Cabrera-Suárez, De Saa-Perez, & García-Almeida, 2001; Jaskiewicz et al., 2013), organizational citizenship behavior (Arregle, Hitt, Sirmon, & Very, 2007), and workplace justice perceptions (Van der Heyden, Blondel, & Carlock, 2005).

Despite a growing number of important insights describing how HRM in family firms differ from non-family firms, as well as from each other (e.g., Gagne, Sharma, & De Massis, 2014), theory is only beginning to emerge to explain how these differences emerge and how they shape important outcomes in family firms. One reason for the absence of research on the topic is that scholars have not paid sufficient attention to the connection between families and family firms' HRM practices. Indeed, family business researchers have felt "growing discomfort" with the lack of understanding of the family in the family business context (James, Jennings, & Breitkreuz, 2012,

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pg. 88). Because it is not known how families' diverse structures, family-member relationships, family goals, and emotions affect HRM practices, the effect of families on family and non-family employees' psychological contracts, organizational citizenship behavior, workplace deviance, or any other factor known to impact organizational processes and outcomes remains largely in a black box.

Fortunately, we do not need to start from scratch to generate theory that explains differences among families and the ways in which these differences might influence HRM practices and their outcomes in family firms. Researchers from education, psychology, and sociology have already done much and summarized it under the heading: “family science.” However, despite several calls for increased research, theory building that leverages family science theories in the context of family firms remains in its infancy (Aldrich & Cliff, 2003; James et al., 2012; Jaskiewicz, Combs, Shanine, & Kacmar, 2017; Olson et al., 2003).

This special issue, therefore, takes a step toward leveraging family science research to explain how different elements of family might influence HRM within family firms, and how HRM might, in turn, impact key family firm outcomes. Building upon the small number of studies, mostly from HRM and organizational behavior (e.g., Clark, 2000; Dencker, Joshi, & Martocchio, 2007; Greenhaus & Powell, 2006; Lewis & Cooper, 1996; Wayne, Grzywacz, Carlson, & Kacmar, 2007) and family business (e.g., Distelberg & Blow, 2011; Eddleston & Kidwell, 2012; Lubatkin, Durand, & Ling, 2007), we are proud to present seven papers that provide novel theory to explain different ways families can shape HRM and how HRM, in turn, can affect family firms.

2. Summary of contributions

The seven papers in this special issue can be divided according to whether their focus is on A. Family as Antecedent to HRM, B. Relationships among Family and Non-Family Members, and C. HR Practices Unique to Family Firms. We summarize each of the papers below:

2.1. Family as antecedent to HRM

The three papers in this group draw from family science research and research on imprinting to describe different family attributes as antecedents that influence HRM and other outcomes in family firms. The paper by *Kidwell, Eddleston, and Kellermanns* begins with the observation that researchers often attribute a “positive halo effect” when describing how founders imprint processes and behavioral norms on firms. The authors observe that, especially in the family firm context, it seems likely that imprinting can also be harmful. In particular, they explain that business families are known to promote behaviors and values such as entitlement, preferential treatment, and parental altruism that can be positive, or at least normal, within family dynamics, but that harm the family firm when allowed to metastasize into the organization's culture. Using cases to illustrate, they describe how negative behaviors that have their (1) genesis in the family firm undergo a (2) metamorphosis via imprinting and learning that (3) manifests in destructive outcomes for the family firm. They suggest, in particular, how “negative imprinting” yields less formal and easily manipulated HR processes. The good news is that negative imprinting is not determinative. The authors describe how each generation might “re-imprint” the family firm with new habits and cultural values that break the cycle.

In the second paper in this group, *Daspit, Madison, Barnett, & Long* adopts the circumplex model (Olson, 2000) to explore the source of bifurcation bias via HR practices. Bifurcation bias is when family-member employees are treated differently from non-family employees. Specifically, the authors apply Olson's (2000) description of unbalanced family structures to explain how biased HR practices emerge that support favoritism toward family-member employees over non-family member employees. This is a problem because biased HR practices can result in biased selection and pay practices, among others, which can hurt the firm's performance. They describe four unbalanced family types from the circumplex model and describe how each relates to corresponding types of imbalance in HRM systems. Balanced family systems, in contrast lead to HRM systems in family firms that are largely absent of bifurcation bias. Despite the negative implications of bifurcation bias, the authors describe ways that it can actually favor the non-family member employee, which is a novel perspective regarding the effect of family dynamics on HRM in family firms.

The third paper in this group is by *Hedberg and Luchak* and draws on John Bowlby's (1973) theory of human attachment to describe how different family-firm founders' early experiences related to bonding and attachment shape their objectives with respect to socioemotional wealth. They suggest, for example, that founders who develop “avoidant” attachment styles (due to unmet attachment needs) are more likely to focus on maintaining close control as a central socioemotional wealth objective. Socioemotional wealth objectives, in turn, shape adopted HR principles, HR strategy, and the implementation of specific HR practices in family firms. This paper is one of the first attempts to tie founders' early experiences in the family to their objectives and behaviors in the family firm, and to link such objectives and behaviors to consequences that affect non-family employees.

2.2. Relationships among family and non-family members

The two papers in this group draw on social exchange theory (SET) to explore different family – non-family interactions. *Dhaenens, Marler, Vardaman, and Chrisman* examine mentoring in family firms by recognizing that there are many different kinds of mentor-protégé combinations depending on whether someone is a family member or a non-family employee. They build on this observation and SET to explain how different mentor-protégé combinations yield different types of protégé commitment. When both are family members, for example, they suggest that prosocial mentoring will generate greater normative commitment among protégés. Switch the protégé to a non-family member, however, prosocial mentoring continues but the purpose is to foster affective commitment. This paper offers a more nuanced view of mentoring by demonstrating the range of organizational commitment outcomes that can result from different family non-family combinations.

Waldkirch, *Nordqvist*, *and Melin* draw on Lawler's (2001) affect social exchange theory and apply it to the triad of key family leaders that includes the non-family CEO, the older generation family owner, and the next generation family owner. The authors explain how different types of social exchanges among triad members under different conditions affect the probability of non-family CEO turnover. When triad members are balanced in terms of strength and dependence, they expect non-family CEOs to feel attached and less likely to leave. When the relationship is imbalanced, however – either because the next generation is just entering or the current generation is clinging to power – whether the non-family CEO remains attached and committed will depend on the nature of the social exchange. The authors summarize Lawler's (2001) four basic exchange types – i.e., generalized, negotiated, reciprocal, and productive – and describe how each kind of imbalance affects non-family CEOs' attachment under each exchange type. By introducing social exchange to this context and expanding the conversation to include the next generation, the authors are able to offer detailed predictions about when non-family CEOs are most likely to search for employment elsewhere.

2.3. HR practices unique to family firms

The final two paper both start with a known HRM difference between family and non-family firms –i.e., bifurcation bias and nepotism – and attempt to explain how heterogeneity among families leads to differences among family firms in the way they manage these unique HR practices and the resulting consequences. Bifurcation bias occurs in family firms because it is difficult for family owners not to treat family and non-family employees differently. The paper by *Jennings*, *Dempsey*, *and James* draws on the stepfamily analogy to explore the origins and consequences of bifurcation bias. The authors explain that if bifurcation biases are present, they can favor either family or non-family employees, and the direction of such biases may differ across HR practices. In the paper, the authors develop a typology of bifurcated HR practices in family firms and suggest potential moderators that might attenuate the potentially negative outcomes of biased HR practices. In particular, they argue that, rather than ignoring bifurcation biases, families need to be aware of and communicate openly about them. The authors introduce the concept of 'bivalent bifurcation' – which is where family employees are favored in some HR practices while non-family employees find advantages in others – and suggest that bivalent bifurcation can be superior to eliminating or ignoring bifurcation bias. This paper is important because it develops theory on the origins and consequences of different bifurcation biases that exist simultaneously in the HR practices of a family firm.

Finally, nepotism is the practice of giving employment opportunities to relatives. Although its practice is common in family firms, it has often been characterized negatively because it undermines the values of merit and diversity in HR decisions (Jaskiewicz et al., 2013). The *Firfiray*, *Cruz*, *Neacsu*, *and Gómez-Mejía* paper takes a "mixed gamble" perspective wherein nepotism affects outcomes as part of family's current socioemotional wealth (SEW) endowments *and* as a factor affecting future financial wealth. They distinguish among different SEW goals and explain why nepotism varies among family firms depending on the SEW goals the family most desires. Specifically, families focused on maintaining "influence and control" and those seeking "renewal of family bonds" will engage in more nepotism than those seeking "family identification" as the central SEW outcome. Nepotism, in turn, interacts with environmental conditions and the focus of the HR system (in terms of ability- motivation- or opportunity-enhancing) to influence firm performance. The paper is important because it engages with the heterogeneity of families with respect to this important HR practice, and shows how nepotism interacts with the HRM system.

3. Outlook and conclusion

Despite emerging insights on the uniqueness of HRM practices among family firms (Gagne et al., 2014), we still lacked theory on how family structures, relationships, emotions, and goals shape the evolution of HRM in family firms and how HRM, in turn, influences key outcomes among family firms. With this special issue, we took an important first step toward filling this gap. Specifically, the papers in this special issue take important steps toward providing answers to the following three broad questions: First, what are the family-based antecedents of HRM in family firms? Second, how do family members interact with non-family employees in the family business? And third, how do families manage HRM practices that are unique to family firms, and toward what organizational consequences?

Taken together, the seven following papers shed light on the family-based origins of HRM in family firms, their consequences – good and bad – and mechanisms for families to deal with the uniqueness and complexity of their HRM. We hope that the papers offer a modest step toward new family-based theories of HRM in family firms and spurs more research on the topic. In this context, the Special Issue culminates with an interview that two of the Special Issue Editors, Peter Jaskiewicz and Jim Combs, conducted with Gary Powell and Jeffrey Greenhaus. These two influential scholars have helped draw researchers' attention to the work-family interface. They have done much to explain how employees bring their home-life into the workplace and vice-versa, and described ways that employees manage the interface between the two (Greenhaus & Powell, 2006, 2012; Powell & Greenhaus, 2010a, 2010b). Family business is a unique domain because when these owner-managers bring their home life into the workplace, the impact is magnified throughout the firm. We asked about emerging trends in the workplace, among families, and the interface between them, and together we draw implications that might help family business and HRM scholars identify important questions that merit time and attention.

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