

Chapter 1

Reflections of Human Resource Practices in Family Business: A Qualitative Research

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ABSTRACT

Although much has been discussed about human resource management practices in large organizations, studies in the family firms' context are nascent in the literature. To better understand human resource management practices in the context of family firms, this study performed interviews on three experienced and successful family firm owners and human resource managers. The research findings reveal that family firms have professionalized, formalized, and employee-oriented perspective in their human resource practices. This study also showed that the new generations in the family are more aware of the importance of human resources and reflect this perspective to their human resource practices. Besides, employees' organizational justice perception is strengthened by considering equality between family and non-family employees in human resources practices. Implications of these results for practice and further research are discussed.

INTRODUCTION

In today's business world, human resource management is crucial for attracting the best talents, retaining them within the organization, enhance their motivation and performance, developing desirable employee behaviors, and gaining short and long-term competitive advantages (Barney & Wright, 1998). Hence, over the past decades, effective management of human resources has also taken great attention from family firms scholarship (Chrisman et al., 2014). Nevertheless, family firms have difficulties in recruiting and hiring talented and qualified non-family employees mainly because of types of human resource

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practices, perceptions of applicants about the professionalism of these practices (King et al., 2001), and the perception that family firms are small organizations (Botero, 2014).

Besides, non-family applicants and employees get the idea that family businesses will have privileges to family members, which harms their perceptions of organizational justice (Arijs et al., 2018). With this regard, these applicants and current employees tend to have negative stereotypes about that family firms have limited and few resources, lower level of salaries and compensations, lower professionalism, lower justice in organizational activities, and a higher degree of nepotism (Botero et al., 2018). In this vein, to change these negative thoughts and perceptions, human resources practices within the family firms should be defined clearly, determined broadly, and arranged to meet the expectations of non-family members. Therefore, effective human resource management in the family firm context requires deeper understanding (Hoon et al., 2019).

Additionally, past studies in the literature have addressed the difficulties faced by family companies in managing human resources, especially in terms of family members. Practicing human resources activities objectively is quite difficult for the CEO of the family firms because of their line of descent and role as a mother, father, or uncle with family members (Reid & Adams, 2001). In other respect, family members may also expect to have a favoured position in the organization's activities, rewarding, salary, and benefits because of their status (Kidwell et al., 2018). In a sense, hence, human resource practices need to be managed effectively through formal practices to prevent this conflict between family and business that harming the organization.

Furthermore, existing literature on family firms' scholarship has centred on the comparison of human resources practices in family and non-family firms. In a sense, family firms tend to use simple and informal human resource practices and unclear practices and criteria in the employment of family members (Blanco-Mazagatos et al., 2018). However, the past studies in the literature have compared family and non-family firms in terms of their human resources practices, the differences between these two organizations have not been revealed comprehensively and systematically (Reid & Adams, 2001). These practices, which will provide a competitive advantage, organizational success, and performance to family businesses, need to be addressed comprehensively (Blanco-Mazagatos et al., 2018).

On the other hand, from the family firms' perspective, existing studies mainly focus on specific human resource practices (Hoon et al., 2019). For example, in terms of compensation, past studies found that family firms pay less compensation by comparison with non-family firms (Michiels et al., 2013; Bassanini et al., 2013). Besides, in terms of recruitment and selection, past studies mainly accentuated the preferences of applicants for working in family firms and Botero (2014) found that job security, advancement, compensation, and prestige influence the employers' attractiveness of family firms. However, there is also a lack of studies examining the training and development of human resources within the context of family firms. Kotey and Folker (2007) concluded that family firms provide fewer opportunities for training activities contrary to non-family firms. Sánchez-Marín et al. (2019) also revealed that formalization of training and human resource development within the family firms enhance the firm performance.

In sum, turning to family firms' research, evidence suggests that human resource practices remain informal in the context of family firms. Concordantly, Pittino et al. (2016) found that formal high-performance work practices are mainly lower in family firms than non-family firms. Furthermore, these activities lead family firms "(a) to the adoption of unfair compensation and performance appraisal systems (b) to cases of managerial entrenchment, (c) to nepotism in personnel recruiting and career decisions, (d) to scapegoating of non-family executives and employees, and, (e) to lower actions for the engagement and worker development of non-family employees" (Pittino et al., 2016: 75-76).

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