

Chapter 4

Process for Maintaining Trust Between CEO of Family Businesses and Partners: The Case of Long-Term Buyer-Supplier Relationships Among Family Businesses

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ABSTRACT

In this chapter, the authors propose to widen the perspective of human resource management within family businesses by considering the organization as not only one venture but a set of ventures. The authors select case studies to illustrate the process for maintaining trust between CEO of family businesses and partners. The cases showed that regardless of the family firms' ownership and size, the personal relationship was more important to keep the relationship than agreements sanctioned by formalized operation and contracts. The story of the three cases allows the authors to identify a human resource management process of trust maintenance between three inter-family firm relationships.

BACKGROUND

During the last two decades, companies split their value chain and mostly outsourced some parts of their competencies and competitive advantage to suppliers or partners (Contractor et al., 2010). Meanwhile, there is a growing consensus in International Marketing and Purchasing (IMP) literature that the retention of suitable buyers provides a competitive edge for suppliers (Nyaga & Whipple, 2011). This is because suppliers can increase profits by 95% by retaining existing buyers than acquiring new ones (Gallo 2014). More so, and just like any other stakeholders, they must ascertain the most appropriate approach to build

DOI: 10.4018/978-1-7998-4814-1.ch004

and maintain relationships with buyers that are family businesses and vice versa. Quite recent literature review about human resources management (HRM) considers that human resource management goes beyond the boundaries of one organization. Therefore, it should be extended to business partners of the organization (Acquah et al., 2020; Kang et al., 2007; Ulrich & Beatty, 2001). Such a claim is based on the statement according to which organizations position their value proposition beyond their boundaries (Lengnick-Hall et al. 2003). Consequently, they could benefit from greater partner allegiance, continuous manufacturing, or service planning (Anderson & Narus 1991), cost reduction, and service delivery (Trevelen 1987). However, in such a trend, family businesses do not remain an exception.

Family businesses desire to develop and maintain serious and long-term stakeholder relationships with their stakeholder groups (Pieper, 2019; Lude & Prügl, 2019; Rose, 2017). However, they are not often strategic in building and maintaining these business ties. Consequently, relative to non-family businesses, they cooperate less and rarely partake in inter-firm cooperative arrangements (Kontinen & Ojala, 2011; Roessl 2005). These family businesses' attributes would also make it challenging to build trust with their exchange partners (Roessl 2005). Their culture and belief form this distinction. It could conflict in how they communicate with their counterpart's non-family business.

Family businesses are a pervasive group, and the problems they faced daily are even more pervasive. Human resource practices hold extreme significance for all organizations. However, family businesses' inimitability, the interaction between the family and the business suggests these entities endure complex, intricate, and interconnected problems. Sherer, Adams, Carley & Wiebe (1989) posits that the lack of growth of family businesses makes it a deterrence for the proceeding generation to be involved in the firm's entrepreneurial undertakings. Thus, when family businesses are relationship orientated, it increases their survival (Kontinen & Ojala, 2011; Swinth & Vinton, 1993) and effectiveness within the supply chain (Panayides and So 2005). Consequently, practitioners and scholars have a growing interest in discovering novel practices in cultivating stronger sufficient business ties with family firms (Pieper, 2019; Lude & Prügl, 2019; Neubaum 2018; Rose 2017).

One key aspect of human resource management (HRM) is maintaining trusting relationships between external stakeholders. This would help contribute to family businesses' competitive advantage. Trusting relationships that combine a firm's human capital with external business partners could develop more formidable abilities (DeNisi, Hitt, & Jackson 2003). The human resource capabilities, such as having the right fit of employees and employers, are critical to building and maintaining trusting relationships with suppliers or buyers (Wu et al., 2013; Lengnik-Hall et al., 2013). These capabilities could also enhance a family business knowledge capacity, fuel innovation (Sirmon and Hitt 2003), and reduce transaction costs (Das & Teng 1996). HRM could also preserve those human abilities rooted in relationship networks that could pose as a threat for family businesses rivals to monitor, recognize, or replicate (Lengnick-Hall et al. 2003). Human resource work practices that are oriented towards relationship-type processes could increase efficiency, reduce cycle times and turnover, and deepen ties between business partners (Becker, & Huselid, 1998).

This chapter reveals that family businesses would be at a competitive edge if their human resources have a more significant role in coordinating their relationships. The research was conducted in Trinidad, a small island developing state in the Caribbean Basin. The country prides itself as a proverbial 'melting pot' due to its diverse populace rooted in slavery, indentureship, and colonialism. The study applies case study research as a method of inquiry. In essence, this chapter's critical objective is to answer the following research question: Which processes; *eventually, practices*, allow the duration of a trust relationship between buyers and suppliers within the specific context of family businesses?

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