Chapter 7
Friends or Foe?
Unravelling the Role of Familiness in Promoting Business Ethics in the Workplace

Rosalba Manna
National Institute for Documentation, Innovation, and Educational Research, Italy

Rocco Palumbo
University of Rome "Tor Vergata", Italy

Massimiliano Pellegrini
https://orcid.org/0000-0002-5722-2988
University of Rome "Tor Vergata", Italy

ABSTRACT

Scholars have argued that business ethics is a crucial ingredient for the successful recipe of human resource management. However, little is known about the factors that trigger an organizational commitment towards the promotion of an ethical approach in crafting human resource management practices. This is especially true for family firms, whose ethical slant in devising human resource management practices has been under-researched. This chapter intends to push forward our knowledge in the field of business ethics investigating the role of familiness in determining ethically-rooted human resource management practices among small and medium-sized enterprises. More specifically, the authors investigated how awareness of business ethics issues and formalization of human resource management policies and practices affect the SMEs commitment to ethics. Family firms were found to be aware of the ethical challenges that characterize human resource management; however, no evidence was retrieved about the role of familiness in triggering an ethical commitment in managing human resources.

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INTRODUCTION

Business ethics is a relevant, yet under-researched topic in the family business realm (see, among others: Vazquez, 2018; García-Sánchez, Martínez-Ferrero, Cuadrado-Ballesteros, & Rodríguez-Ariza, 2015; Payne, Brigham, Broberg, Moss, & Short, 2011). Contributing to the construction of a positive firm image and enhancing the organizational climate, business ethics advances family firms' success (Zellweger, Kellermanns, Eddleston, & Memili, 2012). Attention to ethics in making managerial decisions ensures a positive overlapping between family-related values and business-related concerns (Sharma, 2004), setting the conditions for enhancing the family business longevity (Goto, 2013). Nevertheless, family firms are not used to design formal policies and/or implement structured practices to promote ethical behaviors in their organizational environment (Adams, Taschian, & Shore, 1996; Long & Mathews, 2011). This could be related to the fact that family firms often prefer a lean and informal approach to tackle organizational and managerial issues (Chrisman et al., 2009). Such an informal approach is usually inherited from past habits and behaviors, which create a path dependency amongst family firms (Kidwell, Eddleston & Kellermanns, 2018). Moreover, family firms' owners have been argued to be unaware of the specific challenges that affect the promotion of business ethics in daily organizational dynamics (Fassin, Van Rossem, & Buelens, 2011). This situation is prompted by the propensity of family firms to confound business ethics with issues that are related to corporate social responsibility (Tabor, Madison, Daspit, & Holt, 2019).

Diverging insights into the ethics of family firms have been proposed in scientific and professional literatures. On the one hand, family firms have been argued to outperform non-family firms in terms of organizational virtue orientation, showing higher levels of moral integrity and conscientiousness (Payne, Brigham, Broberg, Moss, & Short, 2011) and being able to pragmatically handle the managerial challenges related to business ethics (Ding & Wu, 2014). On the other hand, ethics violations – such as the buying of loyalties and the mismanagement of organizational power – have been found to negatively affect the ethical standing of family firms (Gallo, 1998; Greve, Palmer, & Pozner, 2010; Cormier & Magnan, 2017).

Failures in business ethics are especially dangerous when they concern human resource management practices (Atrachan & Kolenko, 1994; Reid & Adams, 2001). Ethical violations in human resource management compromise the establishment of a positive organizational climate and impair the achievement of organizational citizenship (Ciasullo, Cosimato & Palumbo, 2017), leading to impoverished organizational behaviors and performance (Bernhard & O'Driscoll, 2011; Crane, Matten, Glozer, & Spence, 2016). In spite of these considerations, the interplay between business ethics and human resource management practices in the family business context has been largely overlooked by scholars and practitioners (Greenwood, 2002).

Without claims of exhaustiveness, human resource management practices can be conceived of as "*...a group of organizational functions which are used to manage and improve human resources and assuring that* [they] *are utilized efficiently in order to attain goals of organization*" (Mathew & Kannan, 2019: p. 16). From this standpoint, human resource management practices involve both micro (*i.e.*, functional aspects) and macro factors (*i.e.*, strategic issues) that are instrumental for enhancing individual and collective performances (Wright & Boswell, 2002). Whilst studies intended to investigate the role played by human resource management practices in underpinning organizational excellence are well established (Ciasullo, Cosimato, Gaeta & Palumbo, 2017), identifying them as preconditions to the achievement of increased organizational effectiveness (Delery & Gupta, 2016) and stronger competitive advantage