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WORK VALUES AND FAMILY BUSINESS CHOICES

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Abstract

Family businesses are very dependent on decision-making by the owner-manager. The personal beliefs and values system of the decision-maker (owner) create a framework that guides adoption and rejection of goals and consequent behavior; similarly, beliefs and values influence daily choices of a family business. Work values have a more specific meaning than general values and this research intends to emphasize the link between the owner’s work values and selected organizational choices. We have found that specific orientation work values emerged which is significantly related to specific organizational choices and that certain value orientations characterized different generations present in the company. These considerations have implications for the ongoing choices and future of numerous family businesses.

Key Words: work values, values, decision making, family business, SMEs

INTRODUCTION: THE ROLE OF FAMILY BUSINESS IN ECONOMIC SYSTEM

Current economies are characterized by a high presence of micro, small and medium-sized enterprises (SMEs). In fact, over 95% of Organization for Economic Cooperation and Development (OECD)\(^2\) enterprises are SMEs (OECD, 2000). In Europe, SMEs contribute up to 80% of employment in some industrial sectors (i.e., textiles, construction and furniture) and they are “a major source of entrepreneurial skills, innovation and contribute to economic and social cohesion” (European Commission, 2005, p. 3). In the U.S. economy, small businesses represent 99.7% percent of all employers and “broaden a base of participation in society, create jobs, decentralize economic power and give people a stake in the future” (U.S. Department of State, 2006, p. 2).

The presence of small and medium-sized firms is coloured by the “weight” of family-owned firms, as is the case with most SMEs (Corbetta & Montemero, 1999; Donkels & Fröhlich, 1991). Therefore, family businesses represent the large majority of enterprises (Astrachan & Shanker, 2003; Beckhard & Dyer, 1983; Corbetta, 1995; International Family Enterprise Research Academy [IFERA], 2003), “in terms of contributions, and especially numbers, family businesses represent a

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\(^{20}\) OECD Countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States
The crucial role of family in creating social and economic prosperity is confirmed in different ways (Habbershon & Pistrui, 2002). The family is seen as a controlling subject in the economy and job creation (Shanker & Astrachan, 1996), as a major source of start-up capital (Steiner, 2001), and as the most enduring organizational type for entrepreneurial activity in a developing economy (Pistrui et al., 1997).

CHARACTERISTICS OF FAMILY BUSINESSES

It is possible to identify different ways of analyzing the many definitions of family businesses. Briefly put, earlier definitions refer to ownership (Berry, 1975; Lansberg et al., 1988), involvement of family management (Barnes & Hershon, 1976) and generational transition (Ward, 1987). Others focus on the study of family businesses as a specific field of research (Dean, 1992) and on differentiating between family and non-family businesses (Klein, 2002). But: “Artificially dichotomizing family vs. non-family firms when no such clear-cut dichotomy exists creates more problems than it attempts to solve” (Astrachan et al., 2002, p. 46). As such, it is possible to assess the intensity of family presence in businesses through level of power (ownership, governance and management), experience (or generational continuity), and culture (overlap between family values, business values and family business commitment) (Astrachan et al., 2002). This approach is helpful in understanding family businesses because it includes and analyzes the family in its role as an important variable of business, and not just the differences between family and non-family businesses. In effect, “the family has been neglected in organizational research. The term family business is typically used to define organizations in which the behavior of firms and the actors within them are influenced by the familial relationships that are part of the organizational landscape” (Dyer, 2003, p. 402).

In order to have a working definition of family businesses, we use a traditional one: “organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (Tagiuri & Davis, 1982, reprint 1996, p. 199). This definition allows us to reflect on the specific dynamic that characterizes the enterprise in which there are a combined factors of family, ownership, management, and employment. These different roles have different goals: family members are oriented to the welfare and unity of family; owners to increasing profit; and managers to guaranteeing work efficacy. It is both an advantage and a disadvantage to be a member of the owning family and to be a manager or an employee in the company at the same time. Tagiuri and Davis call this bivalent attributes. The attributes are: simultaneous roles, shared identity, lifelong common history, emotional involvement and ambivalence, private language, mutual awareness and privacy and meaning of the family company. Selected specific advantages are summarized and include: quick decision-making, strong sense of mission, more objective business decisions, encouragement to weather adversity, positive feelings promote trust, more efficient communication; selected disadvantages are: norm confusion and anxiety, lack of business objectivity, sense of being overly watched and trapped, early disappointments, lack of objectivity in communication, covert hostility, rivalries between relatives (Tagiuri & Davis, 1982).

These dynamics can appear with different levels of intensity and be influenced by life stages: the age of family members has some effects on quality of work interaction, on the enjoyment of the working relationship, on success when family members work together, and on mutual learning (Davis & Tagiuri, 1989; Favretto et al., 2007).

VALUES, WORK VALUES AND DECISION MAKING

“Family businesses are highly dependent on a single decision-maker, the owner” (Feltham et al., 2005, p. 13) and the composition of the board in family firms is an expression of family characteristics and objectives (Vooredeekers et al., 2007; Corbetta & Salvato, 2004). Values and interest of the dominant group define organizational decisions (March, 1962), therefore organizations conduct themselves by appealing to values and beliefs of the small group of decision makers (Pant & Lachman, 1998). This is realistically attributable to many factors (economics, politics, technological,...) and the success or failure of a company, but it is equally realistic to consider the decision-making process of a family business as extremely intuitive and based on the owner’s personal style. In fact, SME’s strategic choices are influenced more by the manager-owner than choices made in a large company (Favretto et al., 2006; Miller, 1987), and personal values and expectations of the owner play important roles (Andrews, 1987).

Values are a fundamental component of culture (combined with observable artefacts and basic underlying assumptions) (Schein, 1990). Organizational culture is the ground where choices and business directions are played out, and which is created and defined by the founder (Schein, 1983).

Values are a concept boasting a variety of definitions. For our purposes, the most cited and credited one is used: “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence” (Roleach, 1973, p.5); “objectives that people seek in order to satisfy their needs” (Super, 1995, p. 54); “desirable states, objects, goals, or behaviors, transcending specific situations and applied as normative standards to judge and to choose among alternative modes of behavior” (Schwartz, 1992, p.2). According to Roe and Ester (1999, p. 4): “work values ... have a more specific meaning than general values”.

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121 A pattern of basic assumptions, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, is to be taught to new members as the correct way to perceive, think and feel in relation to those problems (Schein, 1990, p.111)

122 Guest Editors of the Special Issue on Values and Work (Applied Psychology: an International Review)
The importance of (general and work) values in the decision-making process is described in Image Theory (Beach, 1998): personal decisions are guided by a schemata called value, trajectory, action, and project image. Specifically, value image is informed "the constituents of which are the decision maker's principles. These are the imperatives for his or her behaviour and of the behavior of the organization of which he or she is a member...[and they] serve as rigid criteria for the rightness or wrongness of any particular action about goal or plan" (Beach & Mitchell, 1998, p. 12). The value image generates and assesses candidates for possible adoption in personal and organizational behavior.

**WORK VALUES AND CHOICES: A RESEARCH ON A GROUP OF ITALIAN FAMILY BUSINESSES**

Our research objectives are to show work value orientations that underlie decision-making to specific organizational choices, and to delineate value orientation differences between generations within family businesses.

**Subjects:** 47 Senior owners (average age: 58.21; s.d.: 9.50) and corresponding Junior (age average: 30.15; s.d.: 6.51) of micro, small and medium sized family businesses in different sectors (commerce, tourism, food farming, electro- and metal- mechanic, transports, wood and furniture, service for company and for persons).

The instruments used are the Italian version of the Questionaire Work Importance Study/Work Values Scale [WIS/SVP] (Super & Sverko, 1995; Trentini et al., 1999) and an ad hoc Questionnaire on Management Behavior [QMB].

The WIS/SVP consists of 63 items, measuring 21 values (Ability Utilization, Achievement, Advancement, Aesthetics, Altruism, Authority, Autonomy, Creativity, Economic Rewards, Life-style, Personal Development, Physical Activity, Prestige, Risk, Social Interaction, Social Relations, Variety, Work Condition, Cultural Identity, Physical Prowess, Economic Security), and on the basis of points obtained, 5 fundamental orientations (materialistic, self, social, to independence, to challenges).

The QMB is made up of 14 items regarding different aspect of organizational life and choices (enterprise statistics: sector, dimension, age, turnover, kind of employees; hiring: recent or short-time future; investment fields: IT, innovation, training; work organization and networking).

Results show that an orientation of specific work values emerged that is related significantly to specific choice (in parenthesis: Spearman’s rho and p values):

- Materialistic Orientation with spin-off behavior in employees (rho = -.457; p = .001);
- Self-Oriention with presence of company’s web page (rho = .318; p = .029);
- Other Orientation with presence of company’s web page (rho = .374; p = .010), and membership in Entrepreneurial Associations (rho = .295; p = .044);
- Independence Orientation with hiring of foreigners (rho = -.324; p = .027).

The main idea that comes out when reading these results is that value orientation is part of organizational choice.

An organizational environment shaped by a entrepreneur with high Materialistic Orientation (pragmatic vision of work) does not stimulate spin-off behavior in employees; a Self-Oriention (concept of work as a self-expression) owner more often has a company web page like Other Orientation (vision of work as socialization instrument); the latter is interested in participating in professionals networking as well; an entrepreneur with Independence Orientation (high importance to independence and autonomy) does not choose to hire foreigners.

Other results evidenced that: that the two generations that work contemporaneously within a company present significant differences in certain value orientation scores (Table 1).

<table>
<thead>
<tr>
<th>Table 1. Differences between Senior and Junior in Value Orientations (Mann-Whitney U test)</th>
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<tr>
<td>Value Orientation</td>
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<td>---------------------</td>
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<td>Materialistic</td>
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<td>Self</td>
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