

Who Prefers Working in Family Firms? An Exploratory Study of Individuals' Organizational Preferences Across 40 Countries

— Jörn H. Block, Christian O. Fisch, James Lau, Martin Obschonka, and André Presse

Employees have a choice to work either for family or non-family firms. Based on the person-organisation (P-O) fit theory, the authors argue that family firms tend to attract certain types of individuals more than other types. However, there is limited research on which type of individuals (non-family employees) family firms actually attract. In this study, the authors examined the occupational choice decision of more than 12000 individuals in 40 countries, and identified the demographic, occupation-related and entrepreneurship-related characteristics of those who preferred to work in family firms. This summary succinctly presents the key findings of the study and their practical implications.

Characteristics and Image of Family Firms as Employers

Family firms differ as employers compared to non-family firms. For instance, family firms are known to pay lower average salaries to non-family employees but they offer more stable job environment. Family firms are also known to have strong value orientation, care for tradition, superior reputation, long-term orientation and trustworthiness. However, on the negative side, they are known to follow a 'family first' HR policy, which gives primacy to family objectives. Family firms are also perceived to be more susceptible to potential conflicts, less dynamic and more complex organizations compared to their non-family peers. Family firms are also infamous for

nepotism and limited career opportunities for non-family employees. Potential employees' perception of family firms is a crucial factor in driving them towards or away from family firms.

Person-Organization (P-O) Fit Theory and Preference to Work in Family Firms

The Person-Organisation (P-O) fit theory suggests that congruence between the characteristics of the individual and that of the organization is critical to the success of both. Thus, individuals get attracted to certain organisations they perceive to have characteristics closer to their own characteristics. Organisations in turn, select people with qualities reflective of their own culture, to achieve a good P-O fit.

Individual Characteristics Observed

It was difficult to obtain individual-level perceptions of family firms, therefore the study focused on examining personal characteristics that drove the individual's preference to work in family firms. Telephone interviews were conducted in native languages of more than 12000 respondents living in 40 countries including US, Russia, China and European nations, and the following characteristics of the respondents were observed:

(1) **Socio-demographic**: These included the respondent's gender, age, length of full-time education, location type (rural/urban),

household size (number of persons) and household income.

(2) **Occupation-related:** These included the respondent's number of years in the labour market (after completing full time education) and current occupation (from a list of 15 occupations).

(3) **Entrepreneurship-related:** These included the respondent's entrepreneurship education, opinion about entrepreneurs, whether either of the parents had been self-employed, intention to get self-employment, fear of business failure and the respondent's preference for taking over a firm versus starting a new venture.

Key Findings

The statistical analysis of data found that individual's socio-demographic, occupation-related, and entrepreneurship-related characteristics influenced their employment choices. More specifically, the preference to work in family firms was **positively correlated with** the respondent being a female, holding a positive opinion about entrepreneurs and having an intention for self-employment. The preference was **negatively correlated with** the respondent's length of full-time education, urban area location, being a manager, and having an exposure to entrepreneurship education.

Given the distinct characteristics of individuals in these two categories, the authors concluded that risk-averse job seekers tend to get attracted to family firms, whereas managers with higher level of education and entrepreneurial education find family firms less attractive.

Practical Implications

The study confirmed the challenge faced by family firms in attracting non-family employees, especially the senior managers with higher levels of education and exposure to entrepreneurship education. Most important implication of this study for family firms is that in order to attract talent they need to improve their perception as quality employers. This must especially improve among the groups of highly educated individuals and that of senior managers. This improvement may be achieved by adopting and signaling professionalism in business conduct and through external endorsements of quality.

Another implication is for the family firms that are located in urban areas. Such firms may attract quality talent by highlighting alternative associations with excellence (like better products/ services or industry memberships/ accreditations) and moderating the family firm status in their employer branding strategy.

Source: Journal of Family Business Strategy, (2016), Vol. 7 No. 2, pp. 65–74.