

Research regarding family involvement on change on Romanian SMEs

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Abstract: In this paper we analyse the impact of family involvement over change objectives into Romanian families SMEs. The results obtained using a sample of 800 SMEs mainly from IT sector support the idea. In addition to contributing to family business theory and entrepreneurship by testing variables as sources of change among family business, our findings also present a broader perspective of Romanian entrepreneurial landscape from family business concepts.

Key words: change, entrepreneurship, small business

1. Introduction

During the last 10 years, researchers has attempted to determine how family involvement influences company performance (Ceptureanu, 2012; Barontini, 2006; Chrisman, 2004; Dyer, 2006; Miller, 2007). However, the evidence has been inconclusive (Rutherford, 2008). This paper develops a theoretical and empirical explanation about how family involvement influence change, as measured by family control intention and family commitment in order to affect the implementation of change objectives by SMEs (Chrisman et al. 2012). To do so, we rely on entrepreneurial theory because of its general accepted relevance to managerial studies (Argote, 2007) and because it points out that stakeholders in a company have a diverse set of objectives. Also, to argue that the set of objectives adopted will be influenced by family involvement on change processes, we count on stakeholder theory because it provides perspectives into which stakeholders are likely to affect a company selection of objectives (Mitchell, 1997). Based on these theories, we consider that family involvement on change gives the controlling family the ability to influence company behaviour but doesn't stipulate whether and how it will be used (Chrisman et al. 2012). The empirical results of our study support this approach. The study focuses on the adoption of change objectives for several reasons. In the first place, since performance should be measured accordingly to companies' objectives, we believe that the objectives of change adopted by family business merit as much study as performance. Second, objectives, in general, drive firm behaviours and performance (Astrachan, 2008). Therefore, an understanding of a family company objectives should be a precursor to understanding its behaviours and performance. Of course, the adoption of such objectives should differ among family business (Westhead, 2007). We contribute to the theory by providing a rationale for how family involvement on change may influence family business behaviour and performance. We test that rationale using a sample of 800 Romanian IT SMEs. We focus on this specific type of company because they constitute the large majority of firms in the economy and because the connections between family involvement and change objectives is likely to be more important in influencing behaviours in SMEs rather than in larger companies where consistent numbers of white collars, wider ownership dispersion, and complex activity may dilute the relationships of interest.

2. Change objectives into family SMEs

Behavioural and stakeholder theory suggest that family SMEs may be particularly likely to emphasize change goals. Family SMEs, like any other business sustain multiple goals and these goals adopted by family companies are more likely to include change goals than those adopted by other types of business. In order to achieve their goals, the family create "interest groups" made from owner and other family members/entrepreneurs within an organization in order to attempt to influence a variety of processes (Argote, 2007), including entrepreneur decision and predictions (Hambrick, 1984). Even more, failure to achieve objectives prompts a search for changes in order to restore the balance between predicted objectives and results (Baum, 2007); by contrast, resources made available through objectives accomplishment minimize conflicts and encourages a search for new finishes and ways through innovation (Geiger, 2002). Since the family comprises a very important union into the family business, entrepreneurial theory suggests that the partnership of a family with the ownership and business management will give it the power to influence company's objectives. Indeed, family business researchers consider that family involvement will lead to distinctive objectives, behaviours and performance outcomes (Chrisman, 2005; Dyer, 2006). Carney (2005) explained that a family's control of the agents of change in the family company provides them with the latitude to make decisions that owners and white collars in other types of business do not possess, since in such a situation the family is less hampered by internal culture and controls. Furthermore, family involvement in the ownership and management of the business provides the ability to engage in particular behaviours that would either be impossible or more difficult in other types of businesses. On the other hand, stakeholder theory provides consistent and complementary predictions about change objectives in family firms (Mitchell, 1997). From this perspective, family business are likely to emphasize change objectives because they have a powerful stakeholder group represented by the family that

often has a large variety of goals. Because of the powerful and direct linkage between the family and the business and the wish of the commanding family to protect the identity of them, family businesses may be more likely to adopt objectives of change and these may be a significant driver of organizational behaviours (Zellweger, 2008).

3. Methodology

Data were collected from clients of the National Agency of the Trade Registry of Romania (Oficiul National al Registrului Comertului- ONRC) by a professional cooperation conducted by me and Professor Sebastian Ceptureanu from Bucharest University of Economic Studies. We sent questionnaires to 1242 entrepreneurs (family owned business) and results 800 valid responses from entrepreneurs of family businesses, for a total response rate of 64, 4%. To minimize prejudices in responses, the order of questions representing the dependent /independent variables were mixed (Verboncu, 2011; Nicolescu, 2011). Of course, subjects were assured that their responses would be handled confidentially. In order to obtain valuable and realistic results, our sample needed to consist of SMEs that have the potential to experience and demonstrate significant changes sustained in the last years and high managerial decision making, as well as family implication and synergy (Ceptureanu, 2010). Thus, we restricted our analysis to companies with at most fifty full-time-equivalent employees (micro and small companies according to Romanian law regarding SMEs), reducing the sample size to approximately 64% from original size. Such attrition rates are common in studies of SMEs (Chrisman, 2004; Schulze, 2001). Regarding components of family involvement on change, we utilized three variables to evaluate the components of family involvement among the companies in our sample: % of family ownership, the number of family members who are managers/entrepreneurs in each company, and the number of generations of family members involved in the business. These variables are among the most densely used measures in the literature (Klein, 2005). We also included three control variables. The first two were congruent with those that previous research suggests might be related to family company behaviour: company age, size and sectorial measures (Chrisman, 2004). Company age was measured as the number of years since the born of the firm. As suggested by Zellweger (2008), since the family should become more bounded to the company over time, age should be positively related to change objectives. Company size was measured by the number of employees. As business increase in size the desirability of change objectives could potentially increase. Pollak (1985) noted that family business are more suited to compete in some domains than in others and this could affect their ability and desire to pursue change objectives. Therefore, in this study we focus only on IT sector, which is representative for Romanian fast growing economy and entrepreneurship. This variable was measured by classifying all firms into one sectorial category: IT.

4. Findings

Among the 800 companies selected from the large sample, the average family ownership stake was 100%. The firms had an average of 1.83 family managers and 68% of the sample had two or more family managers. Excluding the main entrepreneur, 1.42 family generations were or had been involved in the company. 71% of the sample indicated that at least one other family member (except main entrepreneur) was involved in the business and 21% involved two or more family generations.

Variables	Areas of investigation	Findings
<ul style="list-style-type: none"> • percent of family ownership • number of family members who are managers/entrepreneurs in the company • number of generations of family members involved in the business • company age • company size • sectorial measures (only IT) 	Family perception about relationship between change and SME survival	65,12% of family business members agree with the statement that the change provides better conditions for survival of the SME in the medium and long term
	The level of family involvement of change based on organizational perspective	Regarding organizational structures involved in the change process family members emphasize the role of Sales Department, followed by R&D Department and HR Dpt.
	Perception of family regarding changes on the market	Changes results on the market is reflected especially into creation of a product /service (51, 37%) and use of old resources on a new manner (48, 37%).
	Family perception about determinants of change	The determinants of change identified by family members were (a) New ideas generated by them (76,5%), and (b) Changing interests of stakeholders (73,5%). Also, 53,12% of respondents believe that the process of organizational change cannot be controlled completely vs. 46,85% believe that it is possible to direct organizational change

	Areas affected by the change	The areas affected by the change are represented by (a) New products / services (57, 25%) (b) Employees (48, 12%), (c) Organizational structure (47,25%)
	The success of implemented changes	Involvement of family during changes generate a positive results of the process into 66,6% of the sample, while only 33,3% of respondents were dissatisfied with the results
	Family as subjects of change	60% of respondents identified as a promoters (generators) of change, 26,37% as strategists (working with the team to see) and 13,63 as passive subjects on this process.
	Involvement of family into reducing/suppressing resistance to change	72,62% of subject % involve direct into this process using specific tools/instruments in order to reduce resistance. 27,37% family respondents declared that they are not actively involved because of their lack of knowledge, negotiation skills or other causes.

5. Limitations of our study

Although we have contributed to entrepreneurship generally and family SMEs studies particularly by testing the relationship between family involvement and change this study has several limitations. For start, we assumed that stakeholders would dominate the decision-making agents of change for small business (Ceptureanu, 2009; Ceptureanu, 2010). Although this generally supported by our results, we must admit that SMEs are also susceptible to the influence of competition or external stakeholders who might limit the willingness to pursue change objectives. Second, we used a convenience sample, a limitation shared by the broad majority of studies in the family SMEs literature (Schulze, 2001). We consider the sample as quite large (800 SMEs) and is drawn from an identifiable population of SMEs identified in Romanian White Book of SMEs (2014th edition) and appears to possess demographic characteristics that are similarly to the population of SMEs in Romania. On the other hand, our convenience sample is largely composed of businesses that are micro and small, young, and overrepresented by male owners. This means our sample is not necessarily representative of all companies, families and so on. Finally, our results are constrained by our measures (Ceptureanu, 2010). There are many potential approaches of measuring family involvement on change. In this study we selected variables which are consistent but not necessarily identical to those used in prior studies (Chrisman, 2004; Klein, 2005). Our measures of family involvement to change, lack thorough construct validation while methodologically were acceptable. We could consider additional items to be added and tested to improve results for future research.

6. Conclusions and future research directions

In this paper, we investigated the connections between family involvement and change objectives. Our results indicate that

- (1) Family involvement influences the adoption of change objectives;
- (2) Family involvement influences the methodology regarding implementation of change, and
- (3) The significance of the connection between family involvement and the adoption of change objectives is closely related to performance obtained.

These results suggest that although family involvement in change (processes and results) is high, the relationship is partially mediated by family's desire to use its ability to influence firm behaviour in a particular/specific manner (Carney, 2005). Considering that objectives are indeed strong predictors of company behaviour and performance, our findings suggest that variables describing the family involvement in change will be useful in identifying a sub-set of family companies that are likely to behave in substantially different ways from nonfamily firms and other family SMEs where the family is less willing to exert its influence in particularistic ways (Carney, 2005). In other words, although the adoption of change objectives is only one aspect among many that may differentiate conducts and performance of different types of family SMEs--our results suggest that if we are interested in isolating the causes and results of the family effect (Dyer, 2006), it is important to scale family involvement on change since this indicates the skill of a family to use its power it might be willing to do so (Chrisman et al. 2012). In addition to those, there are several additional research implications that occurred from our findings. First, future research should attempt to consider the combined impact of the components of involvement of family on change when investigating the conducts and performance of family SMEs (Ceptureanu, 2012; Nicolescu, 2009). There are some entrepreneurial, behavioural, resources and results variables that need to be compared such as differences in human capital, survivability capital social capital etc. (Chrisman et al. 2012; Arregle, 2007; Pearson, 2008; Sirmon, 2003). A consideration of family

involvement on change might lead to a greater understanding of the determinants of these conducts as well as make clear some of the inconsistencies in preliminary studies that have investigated family business performance (Rutherford, 2008). More, some experimentation is still needed on how exactly we should define and measure family businesses. However, further experimentation should be purposeful and linked within the theoretical foundations of the field (Carney, 2005; Habbershon, 2003).

In conclusion, the major contributions of this article are:

- To generate an empirical evidence and a theoretical explanation regarding how the family influence changes into SMEs;
- To identify implications for the future application of entrepreneurial theories to organizational studies

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