Research on Change Management into Small Family Businesses

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Abstract

In this paper we analyse the impact of family involvement over change into Romanian small family businesses. Accordingly, we have contributed to entrepreneurship generally and family SMEs studies particularly by testing the relationship between family involvements and change. In addition we develop family business theory and entrepreneurship by testing variables as sources of change among family business. Our findings present a broader perspective of Romanian entrepreneurial landscape from family business concepts.

Keyword: *change, entrepreneurship, small business.*

JEL classification: M10; L53; D1

Introduction

During the last decades, researchers have attempted to determine how family involvement influences small companies' results (Barontini, 2006; Dyer, 2006; Miller, 2007; Ceptureanu, 2012). This paper develops an 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 goals 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 those 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).

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1 Change in family smes

Stakeholder theory suggests 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 (Ceptureanu SI et al, 2015). 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).

2 Research methodology and findings

We sent questionnaires to 1242 entrepreneurs (family owned business) and results 231 valid responses from entrepreneurs of family businesses, for a total response rate of 18,5%. 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 consistent on 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 49 full-time-equivalent employees (micro and small companies according to Romanian law regarding SMEs). Such attrition rates are common in studies of SMEs (Chrisman, 2004; Schulze, 2001). Regarding components of family involvement, 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 (Ceptureanu EG, 2015). 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 sector.

Among the 231 companies selected from the large sample, the average family ownership stake was 100%. The firms had an average of 1.53 family managers and 60% of the sample had two or more family managers. Excluding the main entrepreneur, 1.2 family generations were or had been involved in the company. 70% of the sample indicated that at least one other family member (except main entrepreneur) was involved in the business and 20% involved two or more family generations.

Table 1. Research characteristics

Variables	Areas of investigation	Findings
• percent of family ownership • number of family members who are managers/entrepreneurs in the company	Family perception about relationship between change and SME survival	65% 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

• number of generations of family members involved in the business • company age • company size • sectorial measures (only IT)	Perception of family regarding changes on the market	Changes results on the market are reflected especially into creation of a product /service (51%) and use of old resources on a new manner (48%).
	Family perception about determinants of change	The determinants of change identified by family members were (a) New ideas generated by them (76%), (b) Changing interests of stakeholders (73%). Also, 53% of respondents believe that the process of organizational change cannot be controlled completely vs. 46% 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%); (b) Employees (48%); (c) Organizational structure (47%)
	The success of implemented changes	Involvement of family during changes generate a positive results of the process into 66% of the sample, while only 33% of respondents were dissatisfied with the results
	Family as subjects of change	60% of respondents identified as a promotors (generators) of change, 26% as strategists (working with the team to see) and 13% as passive subjects on this process.
	Involvement of family into reducing/suppressing resistance to change	72% of subject % involve direct into this process using specific tools/instruments in order to reduce resistance. 27% family respondents declared that they are not actively involved because of their lack of knowledge, negotiation skills or other causes.

3 Limitations and conclusions

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). 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 to those used in prior studies (Chrisman, 2004; Klein, 2005).

Results suggest that although family involvement in change is high and the relationship is partially mediated by family's desire to use its ability to influence firm behaviour in a particular/specific manner (Carney, 2005; Popa et al, 2009). 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 non- family 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 (Nicolescu, 2009; Ceptureanu, 2012). 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). 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).

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