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Typical features of family-owned SME's HR practices

Abstract

Researchers encounter numerous problems when studying small and medium-sized enterprises' HR practices. On the one hand, there is no commonly accepted definition of small and medium-sized enterprises; on the other hand, even the category of SMEs shows a very diverse picture. An increasing number of scholars point out that, in addition to enterprise size, the field of industry, the enterprises' scope of activity, the age of the enterprise, the owner's person as well as other characteristic features all influence the operation of SMEs and – within it – SMEs' practices of human resource use and management.

With a view to the SME sector, the literature review offered in the scope of this study provides a summary of the specificities of family-owned SME's HRM practices. The literature review provided herein is organised around four themes: recruitment and selection; training and development; performance assessment and incentives; and organisational culture.

Key words: HRM practices, small and medium-sized enterprises (SMEs), family businesses

Introduction

Family enterprises constitute vital elements of economic systems. According to estimates, 70–80% of European enterprises are family enterprises (Mandl 2008), which clearly signals the economic weight of such businesses. The function of these companies is decisive with respect to their contribution to economic growth, to expanding and stabilising employment as well as to ensuring knowledge transfer between the different generations. Even if academic and decision-making discourse is increasingly concerned with family businesses, very few research efforts focus on the human resource management practices (hereinafter: HRM) of family businesses, and – within this field – more specifically, those of family-owned small and medium-sized (hereinafter: SMEs) enterprises.

This literature review hopes to fill this academic gap. After offering a definition of SMEs, the study provides a summary of the specificities of family-owned SME's HRM practices. The review provided here concentrates on four themes: recruitment and selection; training and development; performance assessment and incentives; and organisational culture.

Definition of small and medium-sized family businesses

The academic research of this theme is hindered by the fact that there is no commonly accepted definition of either SMEs or family businesses. The size categories of such enterprises, defined concerning the number of employees of the business, may considerably differ as a reflection of the economic features of the given economy where these businesses operate: while any business employing over 500 persons in USA is classified as a 'small business', any business with over 250 persons in employment is classified as a 'big firm' in the European Union (Harney–Nolan 2014). With reference to the Hungarian economy, the present study uses the size categories most prevalently used in the EU: a microenterprise is a business with fewer than 10 people employed; a small enterprise is a business with 10–49 people employed; and a business with 50–250 people employed is classified as a medium-size enterprise.

The literature covers many definitions of family businesses and has not reached a consensus on a generally-accepted definition (Mandl 2008). The characteristic features, on the basis of which certain enterprises are regarded as family businesses in the scope of a certain study, depend on the goals of the study and on the available data. The definitions offered by the literature draw on two relevant perspectives for classification:

the share of family members' in the business; and family members' involvement in the management and operative activities of the business (concerning the comparison of the definitions of family businesses, see Kása et al. 2017). If we focus on the specificities of family-owned SME's HRM practices, one important criterion must be borne in mind for an enterprise to be classified as a family business: family members must be involved in the enterprise's activities by assuming either a decision-making or an operative role. In the case of businesses that can be called 'family' only in terms of their ownership structure but where family members do not intervene in the management or in the operation of the enterprises, the primary characteristics that can be observed are those of small and medium-sized enterprises (if at all), rather than any peculiar features attributable to the family-owned nature of such businesses. For that reason, in the scope of the present study, based on Kása et al. (2017), those enterprises are considered 'family businesses' 'whose 51% share is owned by family members AND

- where the family assumes its own role in the management of the business, OR
- where family members are employed by the business and assume their own role in the management of the business, OR
- management and ownership of the business are envisaged to be handed down, party or fully, within the family' (Kása et al. 2017: 18).

If the number of Hungarian SMEs and family businesses is examined, we see that, based on the Hungarian Central Statistical Office's 2016 data, 690 thousand SMEs operate in Hungary. Out of these SMEs, 94.4% (i. e. approximately 650 thousand businesses) are microenterprises employing fewer than 10 people. Concerning the topic of this study, it must be noted that in the case of these companies HRM activity as such is not performed on a considerable scale. 4.8% of Hungarian SMEs (33 thousand businesses) are classified as small enterprises, while 0.8% of such SMEs (about 5200 businesses) are small-sized enterprises. The average number of staff employed by Hungarian SMEs is 3.38 persons, which secures Hungary last place in the EU's statistics. In line with the estimates of Kása et al. (2017), around 58% of SMEs are family businesses: accordingly, there are approximately 30 thousand such businesses in Hungary, each of which employs a staff of at least 3 persons.

In what follows, this literature review provides a summary of the specificities of SME's HRM practices, – more specifically – those of family businesses.

Recruitment and selection

In most SMEs and family businesses, HRM practices show a low level of formalised operation: at these companies, HRM practice has no infrastructure and, thus, the owner/manager assumes responsibility for this activity (Ernst and Young 2017).

With respect to increasing the level of formalisation of SME's HRM practices, three internal factors have been identified that will increase the level of formalisation: the educational level of the owner/manager, prior leadership experience possessed by this owner/manager, and the owner's/manager's loyalty towards his own employees. External factors at play increasing the level of formalisation include: constraints originating from regulations in the given field of business, competition for the skilled labour force and expectations voiced by customers (Rouditser–McKeown 2015; Psychogios et al. 2016).

In connection with the above, a study by Psychogios (Psychogios et al. 2016), where managers of SMEs assessed their own HRM practices, revealed the following: in SMEs, strategic HRM practices are not formalised, there is no talent management, there are no organised staff training events, there is no planning concerning such activities and the related compensation system is also missing. According to Harney and Nolan (2014), in the last decade SMEs made relatively small advancement towards the adoption and introduction of HRM practices. Given this, it is not surprising that talented employees are quite likely to find jobs with well-known multinational organisations where the level of HRM formalisation is high (Abraham et al. 2016).

As for employees, SMEs have specific expectations (numerous and less specific tasks, flexibility, tolerating more changes, etc.) concerning their staff, and – in addition to employees' job aptitude – employees' commitment to organisational values and beliefs, their accommodation to the general manager and the job environment are becoming increasingly important (Williamson et al. 2002; Vozikis et al. 2013).

As a rule, SMEs use cheap and convenient means of recruitment. Hargis and Bradley (2011) have found that these means do not always allow for reaching and attracting the most skilled and the highest-qualified applicants for later employment. As far as the success of recruitment is concerned, Suchman (1995, as cited in Williamson et al. 2002) identifies two very common deficiencies of recruitment in SMEs: (1) the scope of information available about the organisation, which means how much information is accessible to the applicants about their potential future employer; (2) 'organisational legitimacy, which encompasses job seekers' impressions and presuppositions concerning whether the organisation in question, with respect to the jobseeker, is in fact an

attractive, appropriate and suitable employer, bearing in mind those norms, value systems and beliefs that are prevalent in the given sector' (Williamson et al. 2002: 85). Based on the above, SMEs are less likely to appear as attractive, appropriate and suitable employers (Lewis–Coetzer 2009).

Problems connected to a lack of information could be overcome if employers placed more emphasis on brand building. Issues concerning organisational legitimacy could be improved with the help of the following: developing recruitment practices and HRM policies; establishing links with colleagues, higher education institutions and professional organisations; partnering with well-known/outstanding organisations; and/or familiarising the general public with accreditation-based recognitions granted by such institutions and/or organisations (Williamson et al. 2002).

In the case of SMEs, the main source of recruitment is through 'word-of-mouth', which is followed by CVs, informal job interviews, job simulations and work trials as the most popular methods of the selection of new staff. As the business grows, an increasing number of recruitment sources (employment agencies, newspaper advertisements, etc.) is used, and ever more refined assessment methods (tests, checking earlier references, other validated selection procedures, etc.) are applied for the purpose of selecting future staff (Lewis–Coetzer 2009). In addition to the above methods of recruitment, Hargis and Bradley (2011) propose two easy-to-use methods for SMEs: (1) structured interviews (as opposed to informal talks and unstructured interviews), which not only focus on the data relevant for the given position but also ensure the collection of the same set of data in the case of all applicants, thereby enabling a comparison of the candidates; (2) at the job interview, the job in question should be presented to candidates in a realistic manner (and this presentation should include information-provision based on the analysis of the job profile): this aids the applicants in imagining the actual job and also helps them to assess for themselves how suitable they are for the job.

When comparing the practices used by SMEs with those employed by family SMEs, we can find some fundamental differences. In their study, de Kok et al. (2006) conclude that family businesses use even fewer HRM practices. At the same time, Ransburg et al. (2016) note that the significance of recruitment and selection, as well as that of onboarding, are even more prominent in the case of family SMEs due to the unique features of family businesses.

The business culture and value system of family businesses are rooted in the commonly-shared background of the families in question. Apart from business considerations, the conditions of successful employment are constituted in adaptation to the

above-mentioned culture and in the staff's personal identification with this culture. For that reason, low-level investment (in terms of time, energy, funds, etc. allocated to this end) in the fields of recruitment and selection as well as in the field of onboarding presents a serious risk – not only with reference to job performance, but concerning family relations and trust (Ransburg et al. 2016).

In family businesses, problems might arise from situations where family values, personality traits, family cohesion and trust overwrite professional competencies and objective performance concerning issues of staffing – in other words, necessities dictated by business life are disregarded (Barach et al. 1988; Sieger–Zellweger 2013; Vozikis et al. 2013) – which causes decreased efficiency and increased business risk (Lansberg 1983).

In the case of family businesses, it is especially difficult to contract and retain managerial, senior and non-family member employees, because – according to a widespread view held by many family SMEs – managerial positions should be occupied by family members rather than professionals with appropriate skills and qualifications (Ernst & Young 2017).

With respect to family businesses, it is beneficial to clearly define and delineate ownership- and management-related perspectives (Lansberg 1983). From a business management perspective, in the scope of recruitment, it is advisable to use the same set of criteria in connection with family member and non-family member applicants. Whereas, with reference to ownership issues, it is justifiably important to employ family members in the business, their employment should be preceded by an assessment along an appropriate set of criteria (referencing formal education, former job experience at other companies, courses completed, etc.) so that it can be ensured that these personnel also possess the necessary competencies (Bryson–White 2016).

Ransburg et al. (2016) believe that increased attention must be paid to the integration of newly-employed family members. New employees recruited from among family members must be supported in clarifying their unique positions in the enterprise and therefore they should ideally be instructed about the following: their relations with other family members upon their employment, specificities of sharing information at the workplace, responsibilities involved in demonstrating and communicating business/family culture and values, etc.

Clearly understanding business and family needs as well as assuming an equitable and impartial attitude towards potential employees coming from within the family and outside the family are crucial, as such attitudes will impact the satisfaction, sense of impartiality and fairness of staff as well as the loyalty of employees engaged by the business.

Training and development

After reviewing the literature and on the basis of the research results, it can be concluded that SMEs offer fewer education and training programmes than bigger enterprises (Whapshott–Mallett 2016) and that their training and development systems are less sophisticated and less developed than those of bigger companies. According to OECD data, SMEs offer at least 50% fewer training programmes than their competitors. At the same time, it must also be borne in mind that there are huge differences between businesses and employees in terms of such training programmes. Young professionals with higher education degrees, such as engineers, IT specialists and managers, will find many more training opportunities than their older and less educated colleagues (and also more opportunities than other staff members who can be deemed disadvantaged from any other perspective, as a matter of fact).

It must be stressed, however, that the majority of the currently available studies focuses on formal education systems and training programmes and pays less attention to informal learning and development tools and opportunities, and, as a rule, disregards the potentially decisive role of informal learning and development processes with respect to such companies (Lewis– Coetzer 2009). As Nolan and Garavan (2015) point out, the HR literature interprets the lack or low ratio of formal training opportunities as a kind of 'backwardness' as opposed to the 'sophisticatedness' of such training opportunities characterising big firms.

With respect to this state of affairs concerning learning and development opportunities, three issues are worth examining in connection with the specificities of SMEs: the nature of objective reasons for smaller businesses offering fewer opportunities in pursuing formal education; external and internal factors that are potentially capable of impacting the training system; and visible patterns identifiable in the SME sector.

Concerning the lack of formal training opportunities at SMEs, the literature, based on summaries provided by Saru (2009) and de Kok et al. (2006), identifies the following causes.

SMEs deem such training programmes expensive, they find it problematic to substitute those members of their staff who are attending training programmes, and they fail to see what benefits and advantages training programmes could bring. These businesses might even believe that 'out-of-the-box' training programmes available on the market do not specifically target the exact scope of competences that their staff lacks and would need to possess (in fact, these businesses do not own the appropriate resources to develop their own training programmes). These firms do not have adequate information

about available training programmes, and therefore they do not know whether or not a training programme that they specifically require exists at all. If they select training programmes of any kind, they may not be making the right choice, and consequently the training programmes actually selected might not yield the desired results. If SMEs are striving to survive in the short term, they are unlikely to engage in the provision of training programmes (which potentially guarantee survival only in the long run). These companies also fear that the more qualified staff they engage, the higher salary requirements employees will have and the easier it gets for such employees to find jobs elsewhere. In some cases, companies expect their staff to take the initiative and in case there is no initiative, there will be no training opportunities offered, either.

With regard to the external and internal factors influencing the frequency of training programme provision, Whapshott and Mallett (2016) have identified six factors. (1) Business necessity: SMEs are looking to training programmes to solve their existing business problems and to provide adequate responses to market changes and crises. (2) Need for innovation, technology-induced pressure: this may appear in innovative and quick-changing sectors and segments and in competitive situations where novelty or a market-leading role has outstanding importance; in situations like this, employees may well need the latest know-how and continuous training opportunities. (3) Business relations with bigger companies: in certain situations, if a business wishes to be involved in, and be part of, certain supply chains, the completion of some training programmes may well be a precondition for entry to such chains. (4) Participation in business chains: participation in certain chains may require increased intensity of training (e. g. the business has access to more information, will have more opportunities, etc.). (5) The size and age of the business: in the case of bigger firms, a higher ratio of formal training opportunities may be prevalent. (6) Inter-company changes: larger-scale changes in a company may trigger, or lead to, increased demands for training.

Pett and Wolff (2011) explain this in the following way: SMEs, due to their size, are less likely to have an influence on their external market or apply pressure on their external environment, and therefore their ability and skills to learn and adapt - as well as their ability to learn from their external partners and networks – may easily assume increased importance. With respect to attention paid to training and development, the orientation and attitude held by the owner or the management of the company towards learning and education will be of high importance. In relation to this, Frank et al. (2012) point out that the most relevant factors are the following: openness towards new things, belief in the importance of learning, and commitment to development and advancement.

In one of his first research papers on family businesses' HRM practices, Lansberg (1983) identifies the interconnectedness of family and business as probably the most important challenge impacting the area of training and development for such businesses. From a family-oriented point of view, the training of family members (in the field which the person concerned finds the most important) is crucial, but – with respect to the attainment of organisational goals – it may well be true that a given competence (rather than another one) should be acquired by a certain person (rather than by somebody else). Lansberg (1983) recommends detailed career planning for both family members and non-family members, and stresses that family members who work for the company must accept the primary importance of the firm's business goals. Based on his study, Matlay (2002) draws attention to the 'training paradox': whereas, in the case of family companies, the training of family members surfaces as short- and long-term (personal and organisational) investment (which is of importance not only for the firm in question but also for the family concerned), the training of non-family members depends on, and is linked to, short-term business needs and opportunities, which gives rise to a situation of conflicting interests. In relation to this, Ransburg et al. (2016) pinpoint that it is crucial to differentiate between diverse levels of learning including group learning and family learning. In the case of family businesses, it is likewise important to see that, between individual and organisational levels of learning, group learning and, more importantly, family learning occupy a distinguished position.

In their summary, Lionzo and Rossignoli (2013) identify three intra-company features that are likely to heavily impact family businesses' training and development systems and the learning processes that characterise these firms: (1) family values, goals, relations and family cohesion; (2) flexibility, the lack of formal systems, a high level of informality; and (3) leading and other skills possessed by family members as well as the range and magnitude of such skills. Each of these will be covered in more detail in the following paragraphs.

(1) The values and goal structures held by family businesses are based on family values and goals cherished by the founding family member(s). These values and goals will easily convert into company values and become consolidated if the company is successful. Such values, once they become traditions, are difficult to alter since family members are also related to these emotionally, even though (for example) changes in the external environment would necessitate modifications in the said values (Zahra et al. 2007). In this respect, attitude to learning, openness to innovation, changes in the goal structure, alterations to the organisational culture, institu-

tional learning and adaptation, as a rule, become more difficult in family businesses, except for cases when such openness and entrepreneurial spirit surface among the original family values, and on condition these values do not die or get discarded as the company grows (Zahra 2010). In contrast with this, close ties among the family members, intensive human relations, dedication towards one another and towards the family as well as the common-shared code system among family members may facilitate and quicken knowledge transfer within the organisation and may easily make such knowledge transfer even more efficient (Nahapiet– Goshal 1998).

(2) On the other hand, flexibility, the lack of formal systems and strong informal relations do allow for quick reactions on the part of the business. At the same time, inefficient processes of knowledge sharing, or the lack thereof, may present itself as an obstacle to the company, which means that the knowledge possessed by individual members will not be integrated and thus cannot be converted into organisational knowledge. It is important that family members and non-family members be equal participants in the informal networks of the business. It is likewise desirable that no 'different or isolated realities' should be formed within the business and that the company climate should not give rise to an environment where family members and non-family members are unwilling to share knowledge with one another or where the family intends to minimise 'non-familiness' (Cunningham et al. 2016). External knowledge-sharing partners (customers, suppliers, universities, professional organisations and other communities) may easily assume a vital role in learning and information sharing (Lionzo– Rossignoli 2013).

(3) Competencies and knowledge possessed both by the general manager and family members, or, alternatively, the realisation that these people lack these competencies and their willingness to develop such competencies, as well as general openness to learning constitute crucial factors that impact the training and development systems of family businesses and the learning processes within such companies. It is certainly another question and issue how extensively the business attempts to employ exclusively or predominantly family members, even if the competencies possessed by such family members do not qualify them, or make them suitable, for the jobs in question. This topic has already been addressed above in the section entitled 'Recruitment and selection'.

Performance assessment and incentives

In the case of family businesses, a balance must be found between two subsystems that oppose each other by their very nature and underlying logic. Family objectives, such as emotional stability, harmony, recognition, etc. are present in family companies along with business objectives like survival, growth and profitability (Sharma et al. 2013). As a result of this two-sided system, some of the problems connected to incentives, performance assessment and compensation are structural in nature, and are thus independent of the personal motives of the owner(s)/manager(s). The first and most important difference which causes problems is that the exchange of resources and goods operates along a different line of logic in the case of families and economic entities (Miller–Le-Breton-Miller 2014). As for businesses, market logic is the decisive factor at play here: in this scenario, the value of the product, i.e. in this case, the value of the work accomplished by an employee, is directly determined. This constitutes the basis of the given exchange, which concerns the job performed and the direct compensation provided in return for this work. In contrast, within the family, the basis of exchange is not quite the value of resources expressible in material goods. Instead, the dominant principle here is satisfying family members' emotional needs and ensuring their long-term well-being. In contrast with market transactions, in the sphere of family interactions based on reciprocity, the act of giving does not need to be reciprocated instantly or in the short term, and the values of the goods involved in the exchange are difficult to define. For management, this fundamental difference presents itself as a challenge primarily with respect to the assessment of family members' and relatives' performance and remuneration.

In the context of the workplace and concerning its web of relations, the basis for the assessment of employees' performance is their individual contribution to reaching the company's economic goals (phrased differently, in an economic sense, the basis of assessment is constituted by individuals' contribution to productivity), which is difficult to reconcile with the emotion-based logic of family roles. In the case of family businesses, the management or the person performing the assessment of employees faces hardships because it is extremely difficult to find a balance between the two diverse (family vs. workplace related) sets of expectations. In practice, this may well lead to the development of a set of double standards, which undermines the internal social relations of the company and causes decreased performance. For example, it may easily happen that in case the assessor of family members' performance is not a family member him- or herself, then this assessor – driven by a desire to satisfy managerial

expectations or in order to avoid conflicts – may become inclined to cover up family members' lack of performance or competence (Lansberg 1983).

In addition to the above, in terms of incentives and remuneration, the reconciliation of conflicting views is not an easy task, either. The basic problem here lies in the differences in the meaning of the notion 'equitability' with respect to families and businesses. Within families, the measure of equitability, as interpreted by lineal descendants, is constituted by the satisfaction of children's *needs*. In the case of collateral relatives (siblings), the principle of equitability is realised through *equality*. As opposed to this, at workplaces the principle of equitability is based on *merit:* put differently, the distribution of wealth is much more likely to be governed by functional aspects and perspectives. The concurrent maintenance and enforcement of family and workplace related perspectives of equitability often lead to nepotism: in this case, the principle of equitability based on performance is infringed and is replaced by a system of privileges. In another extreme situation opposing this scenario, the same dilemma is resolved through undercompensating family members in contrast to non-family members so that this way even the possibility of potentially imposing double standards is eliminated. The ideology-driven principle behind adopting this practice is that family members have extra responsibilities for the company, which should be reflected in their performance. This solution often leads to adverse selection since competent but underpaid family members may easily decide to quit the family business. Overcoming difficulties arising from vague principles concerning compensation is a highly difficult task and, in certain cases, it may well happen that the above-described contradictions cannot be fully resolved in the end.

Organisational culture

Regarding the culture of family businesses, it can be established that mainstream research is concerned with the following issues: if the culture of family businesses really differs from that of other companies (Vallejo 2008), diverse culture types in family businesses (Dyer 1988), and what cultural features contribute to the efficiency of family businesses (Denison et al. 2004). Recently, critical approaches have also appeared in the research of family businesses, concerned with power asymmetries resulting from the familial nature of such businesses and the cultural embeddedness of these asymmetries (Fletcher et al. 2012). This section offers a brief insight into the research of family businesses as far as mainstream and critical orientations are concerned.

The aim of the cultural typology developed by mainstream business culture research is to enable the comparison of diverse business organisations along certain cultural features and specificities (Cheyne–Loan-Clarke 2013). These studies seek to the describe the kind of business culture that needs to be established in the case of a company that nurtures a culture that may result in a business advantage for the company in question, on the one hand, and may have a beneficial impact on the organisational performance of the company, on the other hand. Having examined the history of over 40 family-owned companies, Dyer (1988) distinguishes between four types of business culture cherished by the companies under scrutiny according to the belief systems characterising the companies in question, these cultures are the following: paternalist, laissez-fair, participative and professional. These cultural patterns primarily reflect the management style of the owner–manager and, at the same time, they seem to exert an outstanding impact on the formation of the business culture in question. Based on the results of Dyer's (1988) research, it can be concluded that the most widespread business culture among family businesses is the paternal type (in app. 80% of the companies), while the other three types of business culture appear much less frequently in the case of first-generation family businesses. In the case of the paternal type of business culture, the founder fully retains power and it is this person who makes all important decisions (Dyer 1988). In these businesses, the preservation of values established upon the foundation of the company and the reverence of traditions constitute significant values (Dyer 1988). The family has low trust in non-family members, which scenario secures family members a privileged position (Dyer 1988). The study of the effects of paternal culture traits forms a decisive line of research as far as the scrutiny of the organisational culture of family businesses is concerned.

In addition to defining the characteristic features of culture types, mainstream culture researchers are also closely looking into the specificities of those efficient and positive company cultures that are capable of increasing profitability. Nonetheless, proving and justifying this cause and effect relationship is not an easy job (Cheyne–Loan-Clarke 2013). In the scope of their research and with reference to all types of companies, Denison et al. (2004) recommend a culture-gauging model that enables the development of a positive company culture. The researchers claim that the higher values are measured as far as a company's cultural features defined with the help of the model – including adaptation, mission, consistency, inclusion – are concerned, the more likely it is that the company's financial indicators will improve. After concluding a comparative analysis of 20 family and 389 non-family companies, the scholars have found that family companies showed higher averages than non-family ones in terms of all indices examined.

Concerning family and non-family companies, a significant difference in their training and development index has been identified, which seems to signal that family business-es invest more money in the development of their employees compared to other firms. Denison et al. (2004) found these research results revealing also because the findings seem to question the traditionally-held view that the separation of company ownership and control contributes to the development of more advanced organisational forms.

Along a similar line of research, Vallejo (2008, 2011; Vallejo-Martos 2011) intend-ed to develop a model for analysing the effects of family companies' cultural features on performance variables. It was hoped that, based on the model, it could be proved that organisational culture was one of the key factors of competitiveness (Sági–Ko-rom 2005). Based on empirical research conducted in the Spanish vehicle sales sector, Vallejo was able to prove that the more dominantly the transformational leadership style (for details, see Bakacsi 1998; Bass 1990) characterises the general manager, the higher level of organisational commitment and harmony is present at the company, and the feeling of group cohesion is likewise stronger (Vallejo-Martos 2011). In the scope of the same study, it has also been proved that long-term orientation and client-centredness both increase companies' profitability (Vallejo-Martos 2011). The author of the study recommends placing an emphasis on different values in the individual development phases of family companies when business culture is being developed. As for the diverse phases of development, in the initial ('owner and supervisor') phase it is long-term orientation (László–Sági 2005), in the phase 'sibling-like partnership' it is commitment, while in the phase called 'cousins' consortium' it is harmony that consti-tutes the very key values that facilitate and support companies' survival and profitabil-ity (Vallejo 2008). Just like Denison et al.'s (2004) research, Vallejo's (2008) study also underscores that family businesses show higher levels of development with reference to numerous positive cultural features (inclusion, identification, loyalty, workplace ambi-ence, trust, participation, re-investment, transformational leadership style) than non-family run firms (Vallejo 2008).

On the other hand, Fletcher et al. (2012) note that even if we have accumulated a large body of knowledge about factors influencing culture, we are less aware of, and less familiar with, the very process whereby family culture shapes power relations. How do family companies manage reporting activities and processes? What ideologies, dis-courses and underlying logical links support and maintain the prevalent power asym-metries in family businesses (Fletcher et al. 2012)? Through introducing the diverse perspectives of the different participants involved in these matters, interpretive and critical studies seek to answer the questions raised above.

The notion of 'family' as a metaphor of organisational culture is relevant not only concerning family businesses: big firms also show a tendency to call themselves a 'big family'. The metaphor of 'family' suggests that the community of employees at a workplace lives in a unified, harmonious, close and loving human environment, which is characterised by understanding (Ainsworth–Cox 2003). Researchers working in the critical framework highlight that the application and use of the 'family' metaphor also fulfil a regulatory and disciplinary role. This practice concurrently attempts to establish normative control within the company (Casey 1999). Does 'familial character' mean something special and unique in the case of family businesses where 'family' is not a discursive construct (Casey 1999) but is actually based on real relationships? The following paragraphs seek to answer this question.

Ethnographic research (Ainsworth–Cox 2003; Ram–Holliday 1993; Ram 2001) has established that the meaning of 'family' as a cultural entity is not unanimous even in small family businesses: it is rather a complex notion full of contradictions, which may reproduce socially imbedded and generally accepted power differences. Within the organisations examined by the researchers, 'family culture' contributed to the preservation of patriarchal social structures partly along the parent–child power asymmetry, partly along the reinforcement of women's gender roles. In the family businesses under scrutiny, women assumed background roles: they took part in the company's operation either working as employees (whereas their brothers had managerial roles) (Ainsworth–Cox 2003) or they were responsible for managing household and family-related chores and jobs as well as the company's internal processes, which meant less visible jobs and lower pays (Ram–Holliday 1993). The involvement of women in the company's activities also conjured up and promoted a patriarchal ideology (Ainsworth–Cox 2003): women's role is to be with and within the family and, for that reason, it is better if they do not do any job 'outside' the family but work in the family business, perhaps in part-time jobs and assuming smaller-scale responsibilities, which also entails fewer development and career advancement opportunities. In the scope of the study, it was observed that the women concerned responded to this situation by psychologically and emotionally distancing themselves from their jobs, which further strengthened their dependent positions (Ainsworth–Cox 2003).

The ideological basis of 'family culture' is constituted by the principle of trust, but the meaning of 'trust' is not devoid of contradictions, either, Ram and Holliday (1993) explain. Actually, the notion of 'trust' provided a basis for the rationalisation of decisions concerning employment: reliable family labour is cheap, appropriately flexible and is willing to do overtime – in other words, such a workforce is easily exploitable.

From a business perspective, the reliance on the very notion of 'trust' often results in an irrational situation: in this case, key positions are occupied by incompetent family members, who cannot be replaced in the jobs in question. Even the recruitment of non-family members is based on trust: recruitment is usually carried out through informal channels and by word-of-mouth, relying on the social network of employees. On the other hand, trust-based family culture provides a means of extending normative control, Dick and Morgan (1987, referenced in Ram–Holliday 1993) attest: through the use of employees' family/community network, family culture reinforces conformity (Ram–Holliday 1993) and promotes an attitude founded on conformity.

Summary and conclusions

Recapitulating the review of the literature on family SMEs' HRM practices, a summary delineating three bigger areas of findings are provided below. This section will be followed by a description of some possible areas of further research.

Informality

Generally speaking, each HRM area is characterised by a low level of formality as far as HRM processes are concerned; especially strategically important HRM practices are missing (including talent management, training and development, compensation). In addition, HRM systems' low level of formality may result in several disadvantageous effects: the business cannot communicate with, and have access to, employees valuable for the company; furthermore, the firm is not seen as an appropriately appealing workplace, does not offer a transparent career and talent management programme and the pertaining compensation scheme is not clear, either. At the same time, this informal manner of operation brings numerous benefits, too. In fact, family businesses' flexibility and quickness to react can be attributable to this feature. Furthermore, family SMEs' socio-emotional atmosphere and context also exert a series of positive impacts, which include the following: informal and direct workplace ambience, a high level of trust, participation, involvement, commitment, loyalty, strong cohesion. All of these may easily be linked with businesses' economic success.

As a rule, the literature attributes informal operation to the 'backward' nature of traditional discourses and, accordingly, informal ways of HR practices (knowledge transfer, talent management) do not receive the attention they would deserve in the literature. It is also visible that cohesion and trust assume a vital role in family SMEs'

operation. Cohesion as an internal force of keeping the business together may facilitate knowledge transfer but, at the same time, it also hinders transparent and consistent operation. Attitudes towards trust and their effects are also diverse. On the one hand, trust aids knowledge transfer but, on the other hand, it also weakens family members' assessment on the basis of professional competencies, and such a situation in turn concurrently hinders rational decision-making concerning employment.

The personality of the general manager

Another conclusion we can draw on the basis of the literature review is that the personality of the owners and general managers of family SMEs is decisive in terms of the HRM processes applied. These businesses' HRM practice is influenced by future employees' level of qualification, leadership experience and loyalty to other employees as far as recruitment and selection are concerned, whereas in the field of training and development attitudes towards studying, openness to new things and belief in development are the factors that impact such businesses' HRM practices. The culture-forming effects of the general manager's leadership style are traceable in such businesses' cultural patterns and internal value systems. Furthermore, the presence of transformational leadership style can be linked directly to commitment, harmony and strong internal cohesion.

Family members' distinguished roles

The most difficult challenge facing family SMEs is making a distinction between family members and non-family members. In addition, it is also clearly visible that family values oftentimes overwrite business values. A common dilemma that company heads face is the difficulty that presents itself when these managers wish to meet the expectations encoded in a dual set of standards comprising, on the one hand, equitability cherished by their families, and economic performance-based principles, on the other. Such a dual set of standards negatively impacts not only social relations within the company but also organisational performance.

Further areas of research

In addition to the currently existing international literature on the topic, it would be vital to gain more insights into, and to gather more extensive data on, practices employed

by Hungarian family SMEs. Below, some potential and presumably fruitful research areas are highlighted (the list to follow is in no way meant to be exclusive):

(1) based on our assumptions, sectoral specificities also influence family SMEs' typical features and for, this reason, patterns characterising knowledge intensive vs. nonknowledge intensive sectors might also be of interest;

(2) as also pointed out above, the biggest challenge and thus the most exciting question for research is the way family SMEs reconcile family and business perspectives;

(3) finally, by way of doing research in an as yet less extensively explored field of study, it would be worth examining in what ways reciprocal relations, dialogues and participation surface within the internal operation of family SMEs and what effects these have on such SMEs employee retention capacity and business success.

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