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The Effect of Performance Management on Perceived Justice in
Family Businesses in Hungary

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Family Businesses in Hungary

Ph.D. thesis

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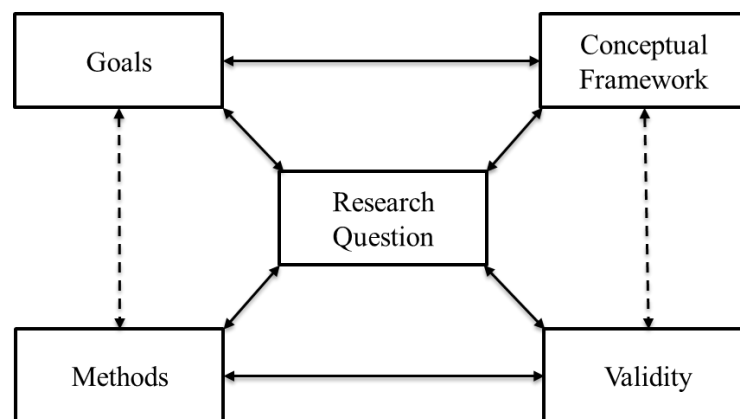
1. Introduction

1.1. Interactive Model of Research Design

My research connects to three main disciplines: Family Business Management, Organizational Behaviour Management, and Human Resource Management. Specifically, in my thesis proposal, I study the Performance Management System and its effects on perceived justice at family businesses.

For identifying the research focus and questions and developing the research design, I apply the Interactive Model (Maxwell & Loomis, 2003), which has five main components: Purposes, Conceptual Framework, Research Questions, Methods, and Validity. In this interactive model, these five components form an integrated, interacting whole. The research questions play a central role. The components are closely tied to each other, and each element can influence and be influenced by the others, rather than being linked in a linear or cyclic sequence. The critical relationships among the components are displayed in Figure 1 (Maxwell & Loomis, 2003).

Figure 1 - A Model for Qualitative Research



Source: Maxwell et al. (2003, p. 3)

1.2. Research problem

Researchers indicate that we are at the beginning of the Fourth Industrial Revolution (Geissbauer et al., 2016; Heynitz et al., 2016; Monostori, 2014). The importance of the Fourth Industrial Revolution is that the former production systems can no longer be sustained because they have led to long-term effects of global environmental damage (climate change), consumed too many nonrenewable energy resources. Furthermore, societies have to prepare for a shrinking workforce due to aging societies. The impact of Industry 4.0 will span over every industry, economies, and society by redefining work and the way companies produce values based on digital transformation, i.e., blockchain, artificial intelligence (AI), cloud- and biotechnology, and the Internet of Things. Industry 4.0 provides the opportunity to integrate a company's value-creating activities and the entire value chain through digitization. That is why there is a need for industry-level leading 4.0 industry companies that supply products and services that drive the fourth industrial revolution and integrate all stakeholder groups and actors of the value chain. (Nagy J., 2019)

Family-owned businesses play a significant role in the economy and society in the world (Gagné et al., 2014). The majority of all companies are family firms, and as a result: they account for more than half of the GDP in the US (Astrachan & Shanker, 2003) and in Germany (Wiesz & Drótos, 2018). Family businesses have a significant contribution to employment (Neckebrouck et al., 2018; Shepherd & Zacharakis, 2000). In Hungary, the majority of enterprises are also family businesses, which contribute considerably to the GDP and have a key role in employment. Thus, the expansion and successful operation of family businesses can strengthen society's resilience and the economy in the new time of Industry 4.0. To support Hungary in taking advantage of the Fourth Industrial Revolution, it is key that Hungarian-owned family firms transition from small and medium-sized businesses to large companies (Wiesz & Drótos, 2018). According to survey results (Wiesz & Drótos, 2018), family businesses can develop from a micro business into a strong small and medium business. However, when they strive to increase the efficiency of their processes and expand their businesses, they are less capable of reaching the next development stage of becoming a large enterprise through professionalization (Wiesz & Drótos, 2018).

Professionalization means that as the organization increases in size and activities and new employees are hired, including non-family managers and employees, family firms may also professionalize by incorporating formalized management practices, such as Human Resources Management (hereinafter HR or HRM) practices (Madison et al., 2018; Verbeke & Kano, 2012). One of the main criteria of formalized human resources practices is having Performance Management Systems (hereinafter PM or PMS) and Performance Appraisal Systems (hereinafter PA or PAS). Performance Appraisal as an integral part of PMS has been considered as one of the most important HR processes because it provides the best chance to establish a link between individual performance improvement and firm performance improvement (A. S. DeNisi & Murphy, 2017). An effective PA is an "engine" of HRM, providing essential information to all other HR systems to support decisions on compensation, succession planning, talent management, career development, learning, and development planning (Biron et al., 2011). The aim of enhancing the effectiveness of the PM system is to improve employees' performance, that is why justice perception as one of the employees' reactions to PMS is a crucial criterion for effectiveness, and it is linked to the success of the system (Ikramullah et al., 2016).

However, professionalization may create two distinct groups of employees, such as family and nonfamily employee groups (Cruz et al., 2011). Perceptions and responses of the two distinct groups to HR practices are both essential and may differ from each other (Combs et al., 2018; Gagné et al., 2014; Hoon et al., 2019)

Consequently, family involvement and influence in family firms have unique effects on PM practices' perceived justice (Barnett & Kellermanns, 2006). However, in family business research, there is a lack of conceptual and empirical studies about specific HRM subsystems and practices, including PM and PA systems, and their effect on perceived justice in the family business working environment.

1.3. Research goals

I categorized the research goals into personal, practical, and intellectual goals.

Regarding *my personal goals*: First, I would like to conduct research based on my previous work experience in the field of corporate HR. Before my Ph.D. studies, I had worked as an HR professional at several multinational companies for eight years. Although I had participated in creating, implementing, and maintaining Performance Management Systems many times, I could not name any of the implemented ones, which were well-received by their users (e.g., top management, direct managers, and their team members). My intention is to give something back through my research to the field of HR. Second, it is important to me that my research help bridge the gap between research and practice. I would like to research in an organizational setting in a real business context. I would like to work closely with enterprises and understand their business problems related to PMS to find answers to those questions relevant to them. Third, as a scholar of Corvinus Center of Family Business, I had the opportunity to get to know more and more controlling families of family businesses, and I have become interested in their particular leadership characteristics and challenges related to human resource management.

My research's *practical goal* is to provide practical examples and support for family business owners, managers, and HR consultants, how to implement an effective PM perceived as fair by family and non-family managers and employees alike to foster organizational performance through individual performance. I would like to conduct research that results in specific recommendations to support family businesses in promoting their expansion and increasing their performance by retaining high-performing family and nonfamily employees.

The *intellectual goal* of my research is to understand the relationship between family influence and perceived justice regarding the Performance Management System at family firms based on a systematic literature review and explore and clarify my assumptions through case study research. With my research, I would like to narrow the gap between research and practice in both family business and HR management. I hope my research can also contribute to the academic discussions on whether improvements in individual performance can somehow translate into improvements in firm performance.

1.4. Paradigmatic stance

Burrell and Morgan (1985) argue that all “organizational theories are based on the philosophy of science and a theory of society” (Burrell & Morgan, 1985, p. 1), and each researcher has a set of assumptions that shape their approach to research. The authors described four paradigms, which are formed by horizontal and vertical axes in their taxonomy. The horizontal axis represents the assumptions about the nature of science related to ontology, epistemology, human nature, and methodology in terms of the subjective-objective dimension. The vertical axis represents the assumptions about society's nature in terms of a regulation - radical change dimension. The four paradigms include the interpretive (subjectivist - regulation), the functionalist (objectivist - regulation), the radical humanist (subjectivist - radical change), and the radical structuralist (objectivist - radical change) paradigm.

Below, I describe my assumptions about the nature of science and the nature of society and my standpoint in the Burrell-Morgan matrix.

From the *ontology point of view*, my subjectivist approach to social science is *normalist*. I argue that a performance management system is considered to be “fair” because of the perception of the employees (Cropanzano et al., 2005; Greenberg & Bies, 1992). From the

epistemology point of view, based on my scope of research and my arguments related to this topic, even my stance is not that extreme, I'd rather define myself as *positivist*. I want to explain and predict what happens in the workplace environment related to the PM's perceived fairness and possible consequences by searching for possible regularities and causal relationships between the elements. Regarding *human nature* based on the contingency theory (Lawrence & Lorsch, 1967), I'd like to analyze how environmental factors, such as family influence and perceived justice of the PM system, can induce consequences for PM (*determinist*). I have a strong belief that in every circumstance, every human being has his/her own free will to choose his/her reaction to these factors (*voluntarist*). I have an intermediate standpoint, which allows for the influence of both situational and voluntary factors in accounting for human activities (Burrell & Morgan, 1985). The assumptions in ontology, epistemology and human nature indicate my *methodological standpoint* in the ideographic vs. nomothetic debate. I apply case study research in line with the *ideographic approach*. I aim to get close to 4 family businesses, explore their specific situations and unfold how performance management is used and perceived by the participants and how performance management systems affect perceived justice at each family businesses? However, I also apply questionnaires for examining perceived justice, which comprises nomothetic methodology.

Regarding *my assumptions about the nature of society in the regulation – radical change dimension*, I accept the sociology of regulation, which is concerned with the status quo, social order, consensus, social integration and cohesion, solidarity, and need satisfaction (Burrell & Morgan, 1985, p. 18).

My research standpoint lies in the functionalist paradigm to a large extent, but slightly also in the interpretive paradigm. My research topic is related to a problem-oriented approach that is concerned with providing practical solutions to a problem. However, in line with the interpretive paradigm, I also seek explanation within the realm of individual consciousness and subjectivity, in the belief that reality is in our subjective perceptions, which are collectively shared to some extent.

In the Family Business literature, the positivistic approach is used widely in case of study research, while two alternative approaches of critical realism and interpretivism are applied to a lesser degree (Micelotta et al., 2020). Leppäaho et al. (2016) argue that this trend will continue, and the positivistic approach will be applied widely in the future as well. Therefore, my positivistic research approach with multiple embedded case study methodology fits well with international publication and research trends.

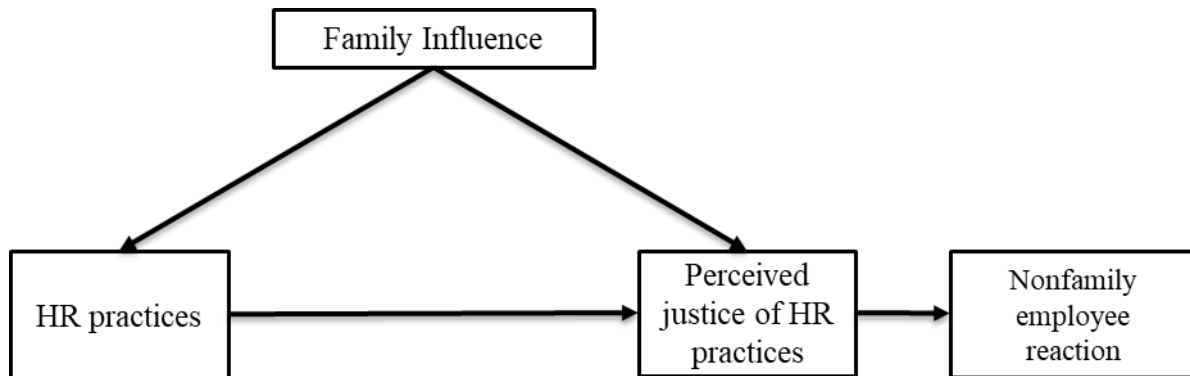
1.5. Relevance of research

I aim to bridge the gap between research and practice in family business and organizational behavior studies (Gagné et al., 2014).

Although the effect of performance management on perceived justice is highly crucial in family businesses to foster professionalization, there is a lack of research both in HRM and Family Business literature. Moreover, the theoretical models are developed in a few papers. Therefore, I chose the following central studies introducing leading models that the theoretical framework will be based on. First, the model of Barnett and Kellermans (2006) proposed the relationships among family influence, HR practices, and justice perceptions among non-family employees at

family businesses (see in Figure 2). Barnett and Kellermans (2006) focused only on non-family employees in their model and generalized their assumptions on HR practices as a whole. They also have not clarified how family influence occurs during a specific HR process. Furthermore, in their model, they represent family influence as a sole effect without considering the mediating and moderating effect of different types of family influences.

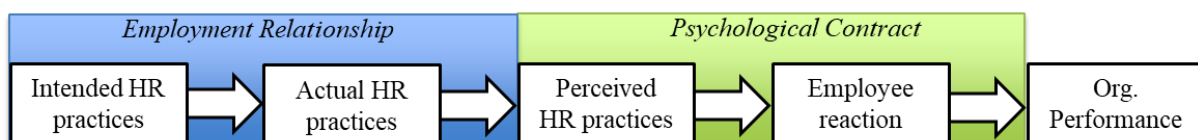
Figure 2 - HR effects on the perceived justice at family businesses



Source: (Barnett & Kellermans, 2006, p. 841)

The Process Model of Strategic Human Resources Management (hereinafter SHRM) framework by Nishii and Wright (2008) was extended to the Process of Performance Management by Farndale, Hope-Hailey, and Kelliher (2011). That can emphasize the three lenses (intended, enacted, and experienced) of formal and informal HR practices (see in Figure 3). However, this model missed discussing the effect of the controlling family in the case of family businesses and said little about the dynamics of perceived justice during the HR process and practices.

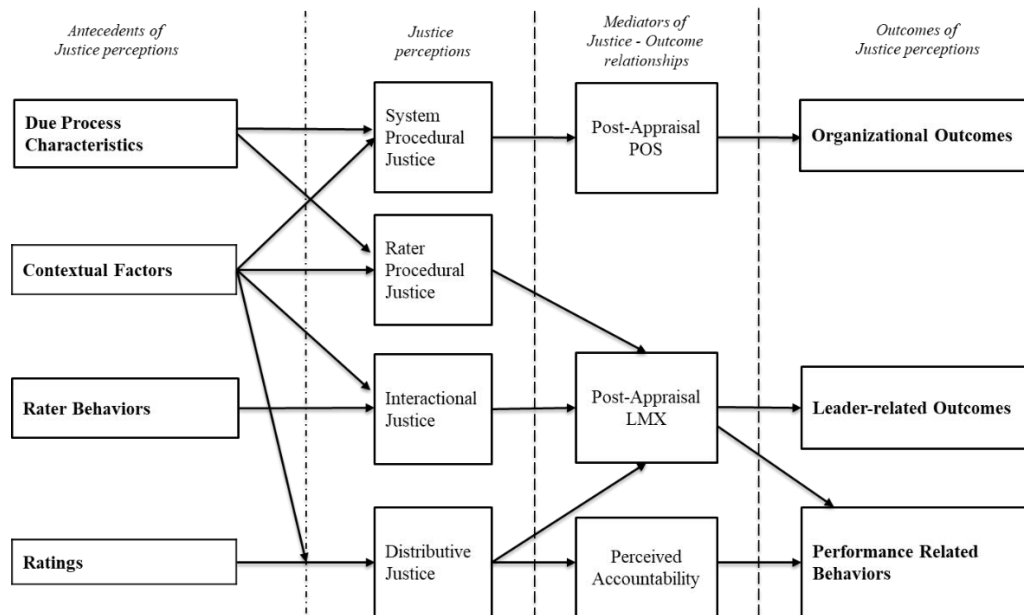
Figure 3 - Simplified Process Model of SHRM



Source: A revised Process Model of SHRM by Nishii and Wright (2008, p. 7)

Erdogan's model (2002) emphasizes the antecedents and consequences of formal PA practices, including distributional, procedural, and interactional justice (see in Figure 4). However, Erdogan only focuses on formal processes of performance appraisal practice, and it does not discuss informal processes or other PM elements. It does not consider the presence of the controlling family either.

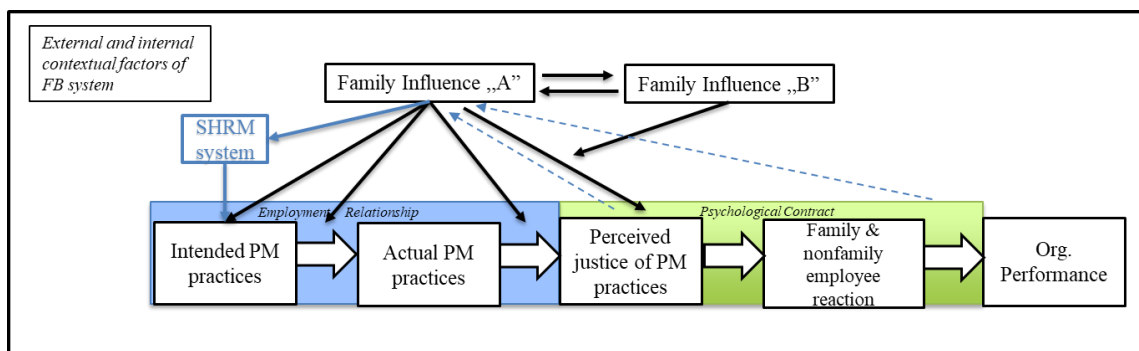
Figure 4 – Simplified Model of Antecedents and consequences of justice perceptions in performance appraisals



Source: The revised figure of Erdogan’s model (2002, p. 559)

Moreover, beyond the unexplored theoretical parts of the three models mentioned above, the general assumptions of these models also need empirical validation. Based on the above-discussed models, I provide a simplified figure of my conceptual framework, which I will introduce and explain in more detail in Chapter 3.3.7. In sum, I aim to focus on both formal and informal Performance Management practices. I highlight Performance Appraisal practices in the view of the three lenses (intended, enacted, and experienced) at family businesses, in which both family and nonfamily employees are the recipients of these practices, and their performances are subjects to them. Scholars argue that family firms are less formalized compared to their non-family counterparts (Pittino et al., 2016; Stewart & Hitt, 2012; Tabor et al., 2018). Therefore, I believe my research can contribute to understanding more why and how family businesses can apply more informal processes than nonfamily businesses by focusing on the performance management process. The simplified conceptual framework can be seen in Figure 5.

Figure 5 - Simplified figure of my conceptual framework



1.6. Research questions

As indicated in Figure 1, the research question is formulated as an interplay of several non-independent factors of the models represented in Chapter 1.5. Since there are many interpretations possible in determining the cause and effect relations of these factors, I conducted extended literature research and combined the insight gained through that with my prior work experiences. In conclusion, the research question of my investigation is thus the following:

How does Performance Management Systems affect perceived justice at Family Businesses?

And subsequently formulated a subset research question too, how does familiness influence perceived justice during the PM process?

After this, I summarize my propositions generated from my literature review as follows:

Proposition 1

The presence of family has an impact on the antecedents and consequences of perceived justice of performance management practice of family and nonfamily employees in four ways: planning, implementation, communication, and coordination.

Proposition 1a

The presence of family affects planned PM in terms of the level of bifurcation and formalization.

Proposition 1b

The presence of family influences the actual performance management practice through line-managers' implementation, leading to more efficient informal PM practices.

Proposition 1c

The presence of family influences the experienced/perceived PM practice through its communication by top and line managers that leads to more efficient informal PM practices.

Proposition 1d

The presence of family influences the possible outcome of perceived justice of PM through coordination, such as defining organizational structure (a division of tasks, scope of authority, types of coordination, and configuration).

Proposition 2

By differentiating between the two concepts of justice and fairness, family firm leaders pursue to achieve a high level of fairness rather than a high level of justice among family and nonfamily employees in the PM processes.

Proposition 3

Family Influence has an effect on the perceived justice of Performance Management.

Proposition 3a

Family Influence has a direct effect on the perceived justice of PM.

Proposition 3b

The various sources of family influence may interact with each other so that one source of family influence may have a moderator effect in the relationship between another source of family influence and perceived justice of Performance Management.

Proposition 3c

The various sources of family influence may interact with each other so that one source of family influence may have a mediator effect in the relationship between another source of family influence and perceived justice of Performance Management.

Proposition 4

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes directly and later on indirectly by the modification of coordination mechanisms.

Proposition 4a

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness of the PM and PA processes.

Proposition 4b

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes indirectly by modification of coordination mechanisms (e.g., modifying division of tasks and scope of authority by appointing family or nonfamily managers).

1.7. A general overview of the thesis proposal

After this, I provide a general overview of the structure of the thesis proposal. In Chapter 1, after introducing the research design, the research problem, the research goals, the paradigmatic stance, and the relevance of the research, I identified the research questions and the assumptions generated from the literature review. In Chapter 1.5., I have already discussed briefly the underlying theoretical models related to the research. These three theoretical models are related to three disciplines, such as Human Resource Management, Organizational Justice, and Family Business. The Process Model of Strategic Human Resources Management (hereinafter SHRM) framework by Nishii and Wright (2008), which was extended to the sole Process of Performance Management by Farndale, Hope-Hailey, and Kelliher (2011) related to the HRM and its subsystem of Performance Management. In the Performance Management literature, Erdogan's model (2002) highlights the antecedents and consequences of justice perceptions in detail related to the Organizational Justice literature. By exhibiting the relationships among family influence, HR practices, and justice perceptions, Barnett and Kellermans's (2006) model provides the opportunity to understand PM and Organizational Justice in the Family Business literature. Accordingly, in Chapter 2, I introduce the Theoretical Framework of the thesis proposal. First, I describe the field of Family Business research while underlining the definitional problems of family businesses and identifying my definition applied in this research (see in Chapter 2.1.) Second, I give a brief overview of the theoretical background of HRM and its PM subsystem (see in Chapter 2.2.) Third, I present the concept of Organizational Justice theorized in terms of three constructs: distributive justice, procedural justice, and interactional justice, later I also highlight the perceived justice of PM (see in Chapter 2.3.). After the theoretical framework, I present the findings of my systematic literature review in Chapter 0. By the end of this chapter, I introduce my conceptual framework generated from the literature. In Chapter 0, I discuss the methodology of my empirical research. In Chapter 5, I present the finding of my results. In Chapter 6, I draw conclusions based on my research results.

2. Theoretical Framework

In this chapter, firstly, I describe the field of Family Business research (see in Chapter 2.1.). Secondly, I overview the theoretical background of HRM and its Performance Management subsystem (see in Chapter 2.2.); thirdly, I describe the concept of Organizational Justice and the perceived justice of performance management in detail (see in Chapter 2.3.).

2.1. Family Businesses

2.1.1. Definition of family businesses

There is no single definition of “family business,” which is generally applied to every country, such as to public and policy discussions or legal regulations and the provision of statistical data and academic research (Astrachan et al., 2002; Zellweger, 2017b). The reason behind that is if we accept the axiom that family businesses differ in how the family affects the management of the business, then two questions arise: Firstly, in what dimension the family affects, secondly what should be the threshold in each dimension to be considered as a family effect. Conversely, there is no single definition of family businesses because we cannot clearly define the main dimensions and the thresholds for these dimensions.

There are three main reasons why there is no consensus about the dimensions and their thresholds. Firstly, family firms are very heterogeneous. They range from micro and small businesses with a few employees to large multinationals with thousands of international presence. We cannot characterize family businesses with a specific legal form, a certain size in terms of employees or turnover, and they operate in almost every industry. Secondly, there are cultural differences in the meaning of the family around the world. The definition of a family and who belongs in it may differ widely across cultures, and family structures may also change over time because of changing social norms. Additionally, many people think of family as a social unit, which is essentially distinct from the market. However, families are not social systems that are incapable of dealing with finances. Thirdly, the ways and processes of controlling family impact on the business vary significantly among family firms (Zellweger, 2017b).

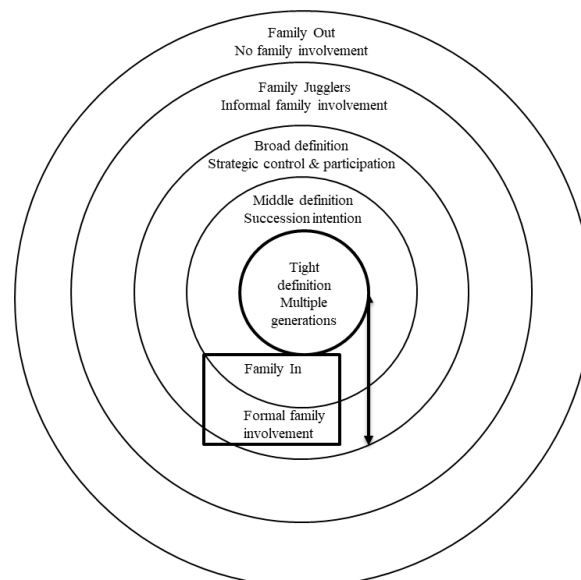
Hereinafter, I display some attempts in the family business research field to define family firms, such as F-PEC Scale (Astrachan et al., 2002), bull’s eye model (A. R. Anderson et al., 2005; Astrachan & Shanker, 2003), and the definition of EU (European Commission 2009), which were unable to provide a consensual definition due to the problems mentioned above.

Astrachan, Klein, and Smyrnios established the F-PEC Scale (2002), which positions family firms based on three key variables: power, experience, and culture. The F-PEC Scale allowed comparisons across studies and samples and a more detailed examination of the relationship between family and business. However, the scale was considered inadequate and criticized mainly for its inaccuracy among scholars (Chua et al., 2012), thereby later, the F-PEC Scale was improved by Rau, Astrachan, and Smyrnios (2018).

Astrachan and Shanker (2003) created a range of three possible family business definitions from a broad, inclusive definition through the middle to a narrow and more exclusive one. The level of inclusiveness relies on the degree of family involvement and participation in the business. Their broad definition contains those businesses in which a family controls the strategic direction while also participating in the business. In the middle definition, additionally,

a founder or descendant runs the business, and they intend to keep it in the hand of the family. The narrow definition includes additional criteria of multiple-generation participation in business and at least two members of the controlling family with management responsibility. The authors depicted these three definitions in a target-like format of concentric circles, with the narrowest definition at the center of the target, called the “bull’s-eye model.” Anderson, Jack, and Dodd (2005) extend this bull’s-eye model with a new dimension of the interrelationship between family and entrepreneurship by incorporating Birley, Ng, and Godfrey’s (1999) typology. In their extended bull’s-eye model, the “Family Rules” group includes Astrachan and Shanker’s (2003) three circles, namely the narrow, medium, and broad definition, which are the first three circles of the extended model. The fourth circle contains the “Family-Business Jugglers” group, which cannot be classified as family firms anymore; however, the role of family for these businesses may remain significant. This group can even comprise about a third of all entrepreneurs based on Birley et al.’s assumption. Finally, the “Family Out” group refuses all connections between family and business and cannot be placed onto the bull’s-eye model (also see in Figure 6).

Figure 6 - A Continuum of Family Enterprise Interactions – Extending Astrachan & Shanker’s Bull’s Eye Model



Source: (A. R. Anderson et al., 2005, p. 138)

From the practical aspect, the European Commission also attempted to define family businesses and come up with the following definition of family businesses.

A firm concerned as a family business regardless of its size if:

- Most of the decision-making rights are in possession of the natural person(s) who established the firm, or in possession of the natural person(s) who has/have acquired the share capital of the firm, or in possession of their spouses, parents, child or children’s direct heirs.
- Most of the decision-making rights are indirect or direct.
- At least one representative of the family is formally involved in the family business governance.
- Listed companies are concerned as a family enterprise if the individual who established or acquired the company or their families or descendants own 25% of the decision-making rights, is mandated by their share capital (European Commission (2009)).

Until the 2010s, the focus of the family business research was about defining family businesses compared to nonfamily businesses. Studies were published about this comparison in Germany (Klein, 2000), in Switzerland (Frey et al., 2004), and the US (P. D. Olson et al., 2003). Relying on the findings of the rich decades-old research string (R. C. Anderson & Reeb, 2004; Chrisman et al., 2004; Gómez-Mejía et al., 2007; Holt et al., 2017; Jaskiewicz et al., 2005), the overall positive effect of the family on firm performance is widely accepted (Pindado & Requejo, 2015). Conversely, the ways and processes of how this family influence can be broken down to actual positive impact are complex (Audretsch et al., 2013) and yet to be fully understood (De Massis & Foss, 2018).

Exploring how specific family context and direct family influence affect the operation and performance of the family firm is one of the main concerns of family business research (Dibrell & Memili, 2019). That is why besides the overall difficulties of defining family business, I focus on family influence and its dimensions in more detail in this chapter in order to be able to create the definition of family businesses for my research later.

Based on the F-PEC model and drawing from current research on the channels through which families influence their businesses, Zellweger (2017b) distinguishes five dimensions of family involvement: 1) amount of family control, 2) complexity of family control, 3) setup of business activities, 4) family owner's philosophy and goals, 5) stage of control in terms of family's history with the firm.

- 1) The amount of family control dimension describes the current degree of family involvement in ownership, management, and governance functions.
- 2) The complexity of family control increases with the number of family owners and managers and depends on governance constellation regarding ownership and management.
- 3) The setup of the business activities dimension shows that family businesses may vary in their approach to conducting business. Firstly, the family may identify itself as an entrepreneurial actor that strives to nurture the family business. When this business becomes successful and expands its business to other industries, the family often shifts its self-understanding from the "Family Business" to the "Business Family" approach and acts more and more as an investor. However, the family's self-understanding and approach are both related to the number of firms controlled by the family and the degree of business diversification.
- 4) The family owner's "philosophy and goals" dimension describes that family business varies in prioritizing family-related goals over business-related. Therefore they range from identifying with a family-first to a business-first philosophy. A family-first approach prioritizes emotional attachment to the firm, nurturing the firm, its public image, and its benevolent social ties to stakeholders. In contrast, a business-first approach prioritizes innovation, growth, and profit over these nonfinancial goals. Furthermore, this dimension also shows the level of identity overlap between the family and the business. Family firm owners with a high identity overlap with the enterprise are more concerned with the firm's public image and reputation than family firm owners with low identity.

- 5) Stage of control in terms of the family's history with the firm dimension assesses the historical aspect of the family's relationship to the firm through generations. The time horizon of the stage of control defines two directions. It reflects the past (duration) and projects forward into the future (vision). The duration means the history of the firm is controlled by the owning family, which also suggests a higher level of emotional attachment to the business and less entrepreneurial spirit. The vision for the future reflects the transgenerational intentions of the family. (Zellweger, 2017b)

The categorization of Zellweger (2017b) shows that there are many ways by which a family may influence its business. However, concisely, we can identify family influence based on two main traditional dimensions of family involvement: components of involvement and the essence of involvement. These approaches make it also possible to make a distinction between family and nonfamily business. Nevertheless, while the "components of involvement" can be operationalized in nature and has two dimensions by which it measures the degree of distinctiveness of a company caused by the family: the ownership and its impact on management and control, and the governance and the level of family involvement (Chrisman et al. 2005, Sharma 2006). The "essence of involvement" approach is more theoretical and challenging to operationalize than the components of the involvement approach (Sharma, 2006). The "essence of involvement" focuses on the family members' behavior targeting the transgenerational outlook as the primary source of the distinctiveness of family businesses (Chrisman et al., 2003; Chua et al., 1999).

According to this, Zellweger (2017b) suggests the definition of family business based on these two elements: 1) the family's dominant control over the firm; 2) the transgenerational intention, including succession and long-term value creation. In line with the two main dimensions of family involvement, the first element of Zellweger's definition reflects the criterion of components of involvement, and the second element reflects the criterion of the essence of involvement.

The last three representative Hungarian studies have also operationalized the definition based on the mix of these two dimensions. Wieszt and Drótos (2018) and Kása et al. (2017) applied three factors as prerequisites for selection to the family business database: 1) a self-perception of being a family business, 2) presence of dominant family control at the firm, and 3) at least 50% family ownership of the firm. If the given firm met the first two criteria or at least the third criterion, they considered it a family firm and involved them in the database.

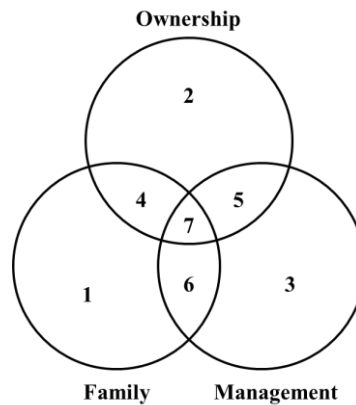
Additionally, besides these threshold conditions, in the study of Wieszt and Drótos (2018), there were also more and more restricting and complementary conditions to create the exact family profile of the examined enterprises. The first additional condition was that at least two family members involved as employees in the company. An even stricter version of this condition was that at least two generations were involved as employees in the company. The last additional condition referred to the long-time family ownership aspiration that is intrafamily succession, which is either „highly probable” or „rather probable.”

According to the above, for my research, I apply the operationalized form of family businesses as follows I inspect all the three factors as a filtering criterion for selecting family businesses for my research with no exception: 1) a self-perception of being a family business, 2) presence of dominant family control at the firm, or 3) at least 50% family ownership of the firm. I apply this narrower definition since the 1) and 3) criteria refer to the component of involvement, while the 2) criterion instead refers to the essence of involvement. Since I try to understand the family influence on management processes, it is essential for the research that the essence of involvement will be present at the family firm studied.

2.1.2. Three-circle model of family business systems

In 1983 Tagiuri and Davis created the three-circle model describing the ownership, management, and family subsystems at family businesses (Tagiuri & Davis, 1996). The model provides a systemic view of family businesses that shows the role-related complexities that individuals can experience in family businesses. Overall, the model identifies seven types of roles that an individual can play in a family business model (see also in Figure 7).

Figure 7 - Three-circle model of family influence



Source: Tagiuri and Davis (1996) in Zellweger (2017b, p. 18)

Table 1 shows the roles and their related motives. In my study, I will focus on the roles in the management subsystem and its overlap with the other two subsystems, namely roles 3,5,6, and 7.

Table 1 - Roles and motives in the three-circle model

#	Role	Typical motives and concerns
1	Family members who are neither shareholders nor business managers	Harmony, mutual support, long-term survival of the firm
2	Shareholders who are neither family members nor managers	Return on equity, dividends, value of the ownership stake
3	Employees or managers who are neither family members nor shareholders	Job security, salary, stimulating work environment, promotion opportunities, opportunity to become owner
4	Family members who hold shares but are not involved in management	Return on equity, dividends, information access
5	Nonfamily managers holding shares	Opportunity to benefit from firm performance and increase in value, managerial discretion
6	Family members involved in operations without shares	Get to know the firm, career path inside the firm, ways to eventually become owner
7	Family managers holding shares	Trying to be „successful” in all three systems: family (togetherness), business (commercial and entrepreneurial success), ownership (financial success)

Source: Tagiuri and Davis (1996) in Zellweger (2017b, p. 18)

The three-circle model is one of the most commonly applied models when analyzing family influence and governance. However, there are advantages and disadvantages to its application. On the one hand, the model helps disentangle the three subsystems' underlying logic, enables discussions about roles and related interests of different stakeholders, and improves the understanding of role complexity at family businesses. On the other hand, it relies on flawed subsystem prototype and functionality assumptions while overlooking synergies between family and business. Furthermore, it also simplifies the view of roles and communication. That means, while actors of family business simultaneously have multiple roles and wear several hats (see roles 4,5,6, and 7 in Figure 7), the circle model tends to underestimate the complexity of communication and decision making (Zellweger, 2017b).

Because of the systems theory approach, I examine the family influence in my model from the side of the corporate/organization system and the family and ownership system in order to understand which family member plays what role in certain situations.

2.1.3. Family businesses in Hungary

The role of the family businesses in the Hungarian economy and society is similar to the role they play in other countries. The majority of enterprises are also family businesses, which contribute considerably to the GDP and have a crucial role in employment (Wieszt & Drótos, 2018).

However, the family business population in Hungary differs from its counterparts in Western Europe and North America in both significance and characteristics.

For historical reasons, the majority of family firms established in the decade following 1990 have to face the challenges of succession for the first time. The Hungarian "semi-peripheral" economy with its small market also led to a lack of strong entrepreneurship and family businesses characterized by professional management practices, which can be an "engine" of the Hungarian economic growth as well (Wieszt & Drótos, 2019)

Although approx. 83% of the businesses are family businesses, as for firm size, the proportion of family-controlled businesses is decreasing, i.e., 86% for small businesses, 69% for medium enterprises, and 64% for large enterprises (Drótos et al., 2018; Wieszt & Drótos, 2018).

According to the survey results (Wieszt & Drótos, 2018), Hungarian family businesses are capable of developing from a micro business into a robust small business. However, when they are striving to increase the efficiency of their processes and expand their businesses, they are less capable of reaching the next development stage by becoming a medium or large enterprise: involve external experts in management as well or even instead of family members and develop formal processes and systems (Drótos et al., 2018). Conversely, the governance system's development constitutes a research gap in the FB and governance literature (Wieszt & Drótos, 2018).

Regarding succession at the majority of family firms, family succession is planned. Two generations work together in the majority of companies, with two or three family members employed on average. Out of these, approximately two family members are involved in the management. The number of family employees is the lowest at small businesses and the highest at medium-sized firms, while the number is again lower at large enterprises. However, the value is higher compared to small businesses. The proportion of family members involved in management is rising consistently. Regarding succession at the majority of firms, family succession is planned (Drótos et al., 2018; Wieszt & Drótos, 2018).

Several significant articles have been published related to succession (Filep & Szirmai, 2006; Makó et al., 2016; Noszkay, 2017; Mosolygó-Kiss et al., 2018; Bogdány et al., 2019). Some authors argue that most owner-managers have professional knowledge, but they do not have management and business development skills (Mosolygó et al., 2018), and the lack of management culture also makes succession difficult (Noszkay, 2017). Makó et al. (2016) highlighted that transferring tangible assets in the succession process seems less important than the transfer of the intangible one embedded in the culture. Mosolygó et al. (2018) found that controlling families may transfer values through generations such as the family itself as cohesion, power, transparency, and trust among family members, honor, respect of people and hard work, trustfulness, persistence, and fairness.

Málovics (2018) also pointed out that family businesses may have conditions and strategies that help resolve conflicts such as open communication, low power distance, role sharing, economic orientation, mutual trust, respect and cohesion, and common interests in less complex family companies.

In another qualitative case study of small and medium-sized enterprises, Bogdányi et al. (2019) found that during or before the succession, the leader is critical in the business's operation. The family business is mainly characterized by centralized decision making, flat hierarchy, unregulated or only partially regulated workflows, and the dominance of personal coordination. That causes the management overloaded since the founder/leaders' information processing capacity, knowledge, time constraints. The leaders play a key role in the corporate culture, and the business is managed through informal communication channels. The loyalty of workers is also often connected to the leader/founder primarily. The authors also pointed out that compensation between siblings is challenging. Furthermore, the continuous evaluation of performance strengthens the offspring and increases his/her self-confidence and competence.

In Hungary, 40-50 % of employees work at family-owned companies (Bogdány et al., 2019; A. Sz. Nagy & Tobak, 2017). According to a qualitative study of Csillag et al. (2019), in recent years, the labor shortage characterizing the Hungarian employment market has also strongly influenced Hungarian SMEs, including family businesses. Besides this, family business SMEs also need to manage and counterbalance the wage competition, the lack of an adequately skilled workforce, the movement of young employees abroad, and the effects of the public work scheme in attracting and engaging the workforce. To manage these challenges, they try to engage three special groups: employees with disabilities; women returning to work after giving birth; mothers with three or more children; and pensioners who used to work for the same business before retirement. Regarding their human resource management systems, even if SMEs tend to apply formal HR practices, they also strongly rely on informal channels and solutions. In the case of recruitment and selection, while they use formal recruitment practices, they also strongly rely on informal channels. The probation periods are also part of their selection of future employees. In the case of training development, while the examined SMEs also relied on innovative formal methods, such as launching their traineeship programs or establishing links with vocational training programs, the majority of learning took place through informal means, such as on-the-job work experience. (Csillag et al., 2019) Based on a Hungarian study, which mainly consists of small and medium-sized companies, HR-related issues are less frequently discussed at management meetings compared to other topics, which indicate a lower level of professionalization and formalization of processes. Because of their size, these companies may have not been able to build more sophisticated HR processes associated with the operative routines of the top management teams. Furthermore, the majority of family businesses are led by family CEOs; and the degree of family ownership and family involvement in management is high. (Wiesz et al. 2020)

2.2. HRM and Performance management

I bank the research on the contingency theory according to which there is no universal or best way to manage all organizations; instead, each organization as an open system should fit with its situation created by its internal and external environment to achieve effectiveness and efficiency. The design of an organization and its subsystems must have a proper fit with the environment, and its subsystems should also be consistent with one another (Lawrence & Lorsch, 1967).

CEOs and company owners aim to increase organizational performance that is effective and efficient. In order to achieve organizational goals, management needs to coordinate the work of employees. Coordination, which is the essence of the management task, can be achieved through four managerial functions: 1) strategy and goal setting, 2) organization, 3) leadership, and 4) control. Within the leadership function, we define motivation, leadership styles, leadership roles, communication, and the creation and management of groups (Antal & Dobák, 2016; Dobák, 1999).

The main question of Human Resource Management as a support function to leadership is how to make an employee as effective as possible in achieving organizational goals while individuals meet their personal needs and reach their goals as well (Bakacsi, 2004). HRM should make sure that processes are running along with the same principles and standards across the company while providing efficient support to the top and middle management (Vajda, 2019).

Some scholars argue that in order to establish a link between individual-level performance and organization-level performance, researchers should focus on “bundles” of HR practice called High-Performance Work Practices (hereinafter HPWSs) and how they could lead to a transformation from individual-level to firm-level performance (Boon et al., 2019; A. DeNisi & Smith, 2014). HPWS can also be referred to as high-performance work systems, high-commitment work systems, high-involvement work systems, and high-performance human resource management in HRM literature. An HPWS can be defined as a configuration of coherent HR practices designed to improve employees’ abilities, motivation, and participation to improve the value of their common contributions (Sun et al., 2007). Scholars categorize HPWS into three main domains of practice. According to the main goal they pursue:

- 1) practices, which are mainly *ability-enhancing* (e.g., rigorous selection, extensive training);
- 2) practices, which are *motivation-enhancing* (e.g., performance management and appraisal systems, incentive-based compensation system); and
- 3) practices, which are *opportunity-enhancing* (e.g., formal participation programs, more autonomy in decision-making) (Han et al., 2019).

After this, I focus on Performance Management and Performance Appraisal Systems, which are part of the motivation-enhancing practices of HPWS. Performance Appraisal as an integral part of the Performance Management System has been considered an essential HR process since it provides the best chance to establish a link between individual performance improvement and firm performance improvement (A. S. DeNisi & Murphy, 2017). Based on contingency theory and the managerial functions, HRM strives for developing adequate Performance Management and Performance Appraisal Systems in line with the organization’s business model. At the same time, the PM system should also be consistent with other HR subsystems, such as compensation, succession, talent management, career development, learning and development, and with other systems, such as strategy, business planning, and controlling (Boon et al., 2019; Schleicher et al., 2018).

In my thesis proposal, I argue that fairness perception as one of the employees' reactions to the PM system has been identified as an important criterion in judging the effectiveness and usefulness of performance appraisal. Since employees eventually are also the recipients of it and their performances are subjects to the PM systems (Farndale et al., 2011), so that is why not the validity and the reliability of the measurement tools but the individual justice perceptions of these tools and practices influence employees' attitudes and behavior (Ikramullah et al., 2016).

After this, in Chapter 2.2.1, I discuss the Performance Management and Appraisal System. In Chapter 2.3, I introduce the general concept of organizational justice, and in chapter 2.3.4, I discuss in detail the perceived justice of performance management and appraisal system.

2.2.1. Performance management and appraisal system

The relevance of performance management and appraisal system

Current discourse among scholars and practitioners indicates that performance management practices are not satisfactory and effective (Barrier, 1998; Bokor, 2011; Tseng & Levy, 2019). In the World at Work Survey, even though most of the US professionals reported having formal PM practices in place at their companies, few of them argued that the system actually helped them to achieve their strategic goals, and they mainly considered PM rather as an "HR process" instead of a business-critical process. While more than half invested in PM training, only less than a third of the companies felt that their managers focus on having effective performance dialogues rather than just completing forms while having a lack of trust in the system (WorldatWork and Sibson Consulting, 2010). By examining the HR function in Hungary, Bokor (2011) also found that although managers considered PM important, they were strongly dissatisfied.

In the past few years, the topic of performance management has also received much attention from researchers and HR practitioners. Popular management presses published articles with provocative headlines about the end of "traditional PM." World's leading multinational companies announced getting rid of their PM systems and started to reinvent the way how they conducted their procedures (Buckingham & Goodall, 2015; Cappelli & Tavis, 2016; Ewenstein et al., 2016; Gorman et al., 2017; Kinley, 2016; Rock & Jones, 2015). In the US, 12% of the companies were not planning to rethink their PM system, while in the UK, two-thirds of large companies were in the process of changing their systems (Cappelli & Tavis, 2016). However, managers consider PM one of the most critical HR systems, and they assume that PM's use and importance will increase in the future (Goodman et al., 2015; Hays & Kearney, 2001).

Defining performance management and appraisal system

Performance Management is to provide efficient support to the management to fulfill its coordination task. To coordinate, it is management's duty to set strategic goals and objectives, cascade organizational goals into individual goals, control past and present achievements and give feedback accordingly to foster present and future performance in line with organizational goals. Within the leadership function, managers convey goals to the employees, motivate them by compensation, future career opportunities, and development. Formal PM is the result of the organizing function of management.

PM can be determined as "identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization" (Aguinis, 2013, pp. 2–3). PM system is an integral part of the annual business planning cycle

and enables managers to cascade the strategic targets into a team and individual performance objectives and development plans; to reinforce a sense of accountability and performance-oriented culture; to enhance employees' motivation and commitment, and to evaluate the capabilities of people for future business challenges. From the individual's point of view, the PM system is essential to make clear job responsibilities, priorities and expectations; to provide feedback and coaching; and enable systematic dialogue about longer-term career aspirations and personal development (Bakacsi et al., 1999, pp. 186–187). The main aim of PM-related HR practices is to foster organizational performance through individual and group performance by improving performance-related behavioral characteristics, such as motivation, job satisfaction, organizational commitment and trust, cooperation, compliance, and acceptance of decisions and by decreasing “bad” behavior outcomes, such as silence, absenteeism, fluctuation, and conflict. (Conlon et al., 2005)

Performance Appraisal (PA) as part of the PM system refers to the whole procedure, including the establishment of performance standards, appraisal-related behaviors, the determination of performance ratings, and the communication of the rating to the ratee (Erdogan, 2002). The goal of PA is to provide information that will best enable managers to improve individual performance (A. S. DeNisi & Pritchard, 2006). Furthermore, an effective PA is an “engine” of the HRM, providing essential information to all other HR systems in order to support decisions of compensation, succession planning, talent management, career development, learning and development planning (Bakacsi et al., 1999; Biron et al., 2011). Since PA is an integral part of PM, hereinafter whether I refer to PA as PM, or I make a clear distinction between the two concepts, only when I find it necessary.

Conceptualization of Performance Management

After this, I discuss the evolution of PM research in detail, which is partly based upon my previous article on Performance Management (Vajda, 2019).

While the interest in the evaluation of performance at work can be traced back to ancient China, and there were also efforts to establishing merit ratings as far back as the 19th century (Murphy & Cleveland, 1995), psychological research on performance rating started only in the 1920s., with Thorndike's article (Thorndike, 1920), in which he identified what later became known as “halo effect.”

There were two important trends, which defined performance appraisal practices in the Anglo-Saxon and Western European cultures. First, the evaluation methods have been shifted gradually towards behavioral and outcome-based approaches from personality characteristics and informal evaluation. Second, the application of the performance appraisal system has become more and more numerous. The number of goals that formal evaluation systems have to achieve was also growing, such as dismissal and salary raise, administrative goals for promotion later training and development on the individual and organizational level, then finally organizational planning, legal documentation, and guidance for the evaluation and development of the personnel system. Owing to this central role, to the multifaceted goals, and the frequently changing performance criteria in changing environments, performance assessments are surrounded by numerous conflicts (Takács, 2001).

In spite of the fact that PM has been subject to many criticisms, it seems that economic and historical context has played a leading role in the evolution of PM practices and research over the decades. The organizational and managerial needs served as driving forces in developing new research lines in the field (A. S. DeNisi & Pritchard, 2006).

In their literature review in the *Journal of Applied Psychology*, DeNisi and Murphy (2017) defined nine substantive subareas that dominate performance management and appraisal research:

(1) rating scales, (2) evaluating the quality of rating data, (3) training, (4) reactions to appraisal, (5) the purpose for appraisal, (6) rating sources, (7) demographic effects, (8) cognitive processes, (9) PM research.

The rating scales and evaluating the quality of rating data research - that is, assessing the reliability, validity, or accuracy of performance ratings -, stressed the problems with more traditional criteria for evaluating the effectiveness of PA systems. These research directions made a substantial influence by shifting the attention from traditional error measures to accuracy measures and eventually to measures that reflected ratee perceptions of fairness and accuracy. After a 50-year dominance of rating research, the reactions to appraisal research started in the 1970s by concentrating on ratee satisfaction and perceptions of fairness. This research direction has been especially vital because “it helped move the field to consider other types of outcome measures that could be used to evaluate appraisals systems” (A. S. DeNisi & Murphy, 2017, p. 425). The concept of justice perceptions has become an important part of later models of PM, for instance, the work of DeNisi and Smith (2014), and many researchers suggest that justice perception remains a critical research line in the future, too (A. S. DeNisi & Murphy, 2017).

Regarding PM research (subarea No. 9), we can define two main categories.

First, various studies attempt to describe the entire performance management process and make suggestions on how to improve it. They investigate how comprehensive organizational practices improving individual performance lead to organizational performance improvement. Den Hartog et al. (2004) suggested a model for performance management that integrates multilevel (i.e., individual, group, and organization level) elements and completes previous models by incorporating employee perceptions, the role of direct managers, and “reversed causality.” According to the latter, experts often assume that enhancing individual-level performance would lead to improvements in firm-level performance, but the researchers have failed to show clear evidence to prove this correlation (DeNisi - Murphy, 2017; Den Hartog et al., 2004). Den Hartog et al. (2004a) argued that in the case of “reversed causality,” organizational success (e.g., profitability) may increase the willingness of top management to invest in HR practices rather than vice versa. High organizational performance may also affect employees’ commitment, trust, and motivation as much as the other way around. DeNisi and Smith (2014) suggested that the assumed link between individual-level performance and organization-level performance had never really been established directly. They rather found significant support for relating “bundles” of human resource (HR) practices to firm-level performance and models for how these bundles of HR practices could lead to a transformation from individual-level to firm-level performance. Based on this, they developed a model by which bundles of HR practices aligned with the organization’s strategic goals can be applied to generate a climate for performance that could transform generic knowledge, skills, and abilities (KSAs) into specific KSAs needed to improve firm-level performance. Other studies that had focused on the effectiveness of PA systems analyzed its effectiveness along with four criteria: utilization, qualitative, quantitative, and outcome criterion (e.g., Iqbal, Akbar, and Budhwar 2015). Based on this, Ikramullah et al. (2016) suggested a conceptual framework for the performance appraisal system’s effectiveness by using a competing values approach (Quinn & Rohrbaugh, 1983). Recent frameworks highlight the PM process’s complexity in a system-based approach (Schleicher et al., 2018) and the importance of social processes and the manager-employee interactions embedded in the PM process based on a multilevel leadership process framework of performance management (Tseng and Levy 2019).

Second, several studies deal with specific aspects of the performance management process. These publications often focus on improving individual performance and address one type of performance management intervention in isolation without taking into account the wider perspective of the whole process. DeNisi and Pritchard (2006) adopted a motivational framework to highlight appraisals' main goal, which is improving performance. Some studies also aimed to specify how performance feedback can cause individual performance improvement (e.g., London and Smither 2002; Gruman and Saks 2011). London et al. (2002) concern feedback as part of a longitudinal performance management process influenced by, and contributing to, the individual's feedback orientation and the organization's feedback culture. Gruman et al. (2011) argue that performance improvements can preferably be achieved by orienting the performance management system to promote employee engagement.

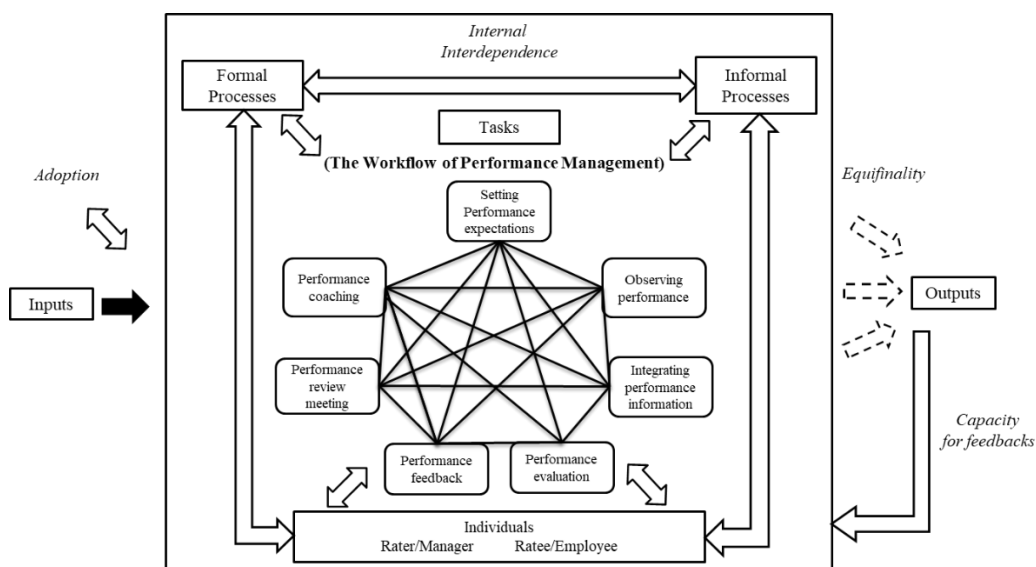
A Systems-Based Model of Performance Management

In the research, I based on the system-based model of performance management of Schleicher et al. (2018), which is relied on the congruence systems model (Nadler & Tushman, 1980, 1984). According to Schleicher et al. (2018)'s conceptual model, the PM system consists of six components: the *inputs* and the *outputs* of PM and the four interdependent elements. These interdependent elements construct the process components of PM: *tasks* of PM, *individuals* involved in PM, *formal* processes, and *informal* processes of PM tasks (see also in Figure 8). Schleicher et al. (2018) identified seven key PM tasks: *setting performance expectations*, *observing employee performance*, *integrating performance information*, *rendering of formal summative performance evaluation*, *generating and delivering performance feedback*, *formal performance review meeting*, and *performance coaching*.

Individuals involved in the context of PM are *raters* (e.g., direct managers and leaders) and *ratees* (employees). Thus, the individual factor refers to their characteristics, such as their knowledge, skills, needs, as well as their demographics.

In contrast to many other publications, Schleicher et al.'s (2018) system-based model distinguish *formal and informal processes of PM as two separate elements of the system* since PM processes can simultaneously exist in both forms (formal and informal) in a real workplace context.

Figure 8 - A Systems-Based Model of Performance Management



Source: (Schleicher et al., 2018, p. 2215)

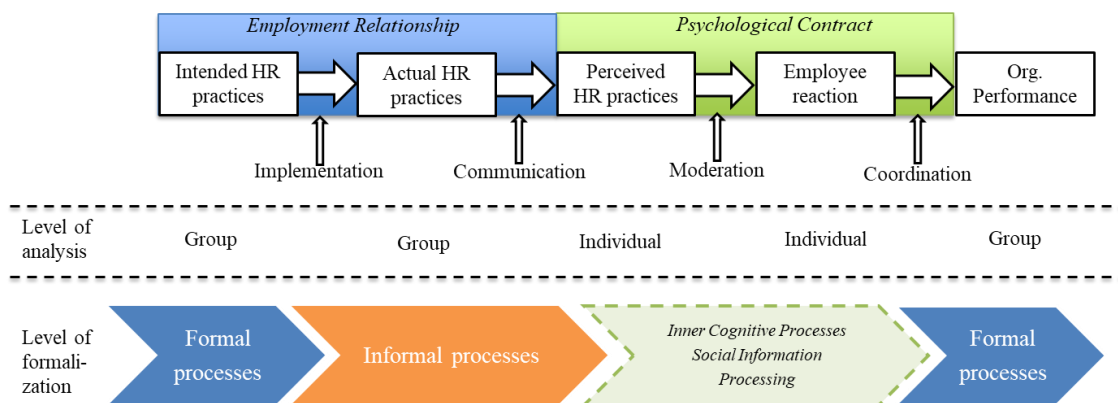
Formal processes are defined as structures, processes, and procedures in written that are explicitly established to get both raters and ratees to perform (PM) tasks in line with (PM) strategy (Nadler & Tushman, 1980). By contrast, *informal processes* are unwritten, implicit, and occurs over time. Informal processes also reflect PM-related processes themselves (e.g., informal feedback) and contextual factors that affect processes (e.g., political climate surrounding PM).

Studies suggest that the different formal and informal process factors in the case of PM vary in how consistently they influence PM effectiveness. However, individual participation is one element that seems unambiguously beneficial, displaying positive effects in the case of both formal and informal forms of participation and connection with multiple different PM tasks. Besides, this rater training also consistently provides positive outcomes.

Farndale, Hope-Hailey, and Kelliher (2011) applied a Strategic Human Resources Management (hereinafter SHRM) framework of three lenses by Nishii and Wright (2008) through which HR practices, such as PM, can be viewed (see also in Figure 9):

- (a) PM practice *intended by HR* as embedded in written procedures and documents,
- (b) PM practice as *enacted by different line managers* at the company, and
- (c) *employee's experience* of the practice regardless of the intentions of their line and top management.

Figure 9 - Process Model of SHRM



Source: Revised Process Model of SHRM by Nishii and Wright (2008, p. 7)

As you can see in the model, HR practices are associated with performance through their influence on employee skills, attitudes, and motivation in SHRM literature.

Regarding the formalization level in the model, the first lens characterizes the formal processes (policies and formal procedures) while the second and third lenses characterize the more informal ones.

Two key points of the model are the possible differences between the intended and the actual PM practices and the employee perceptions of those PM practices.

Firstly, studies show that line managers act as interpreters of formal practices and influence the informal PM processes (Schleicher et al., 2018). Based on this, the implementation of PM practices by line managers offers the possibility that the execution may vary from what was intended by top management to what is experienced by employees (Nishii & Wright, 2008), since line managers themselves may form how they are implemented. This may be caused by numerous factors, such as low levels of interest of the line managers, lack of training and

competence in PM tasks, and an aversion to deal with conflicting contextual pressures, which lead to line managers prioritizing short-term operational or performance-related tasks, instead of long-term focus (Farndale & Kelliher, 2013). Thus, we can say that line managers play a crucial role as key enactors of PM (den Hartog et al., 2004; Schleicher et al., 2018). The study of Farndale and Kelliher (2013) also highlighted the significance of line managers in enacting performance appraisal practices to influence employee commitment. However, it also showed that the significance of the line manager-employee relationship does not appear alone. Organizational units with great trust in senior management have both higher levels of commitment and indicate a more reliable link between employee perceptions of fair treatment by their line managers during a performance appraisal and organizational commitment (Farndale & Kelliher, 2013).

Secondly, employees' perceptions of HR practices are likely antecedents of employee reactions (attitudes and behaviors). Employees have different information processing schemas, motivations, values, attitudes, experiences, personality, and demographic backgrounds to bear on their perceptions and interpretations of, as well as reactions to organizational situations and experiences, such as actual PM practices (Farndale et al., 2011; Farndale & Kelliher, 2013; Nishii & Wright, 2008).

Finally, management coordination includes organization structure, defining teams, delegating team tasks, and division of responsibilities positively related to performance at the organization level.

Inputs of PM

Based on the contingency theory (Lawrence and Lorsch 1967), PM has to be designed and implemented in line with its internal and external situations and organizational structure to function effectively. In the model of Schleicher et al. (2018), inputs of PM are the so-called "givens" of the PM system: the materials, which the company has to deal with, and the context in which PM is implemented. Therefore, they impose both demands and constraints on multiple aspects of the PM system.

Inputs consist of the environment (i.e., elements outside the PM system and the company itself), resources (i.e., human resources), and strategy (i.e., organizational strategy, HRM strategy, PM strategy). According to this, in many studies, several types of variables were classified as inputs, including ownership type and organizational structure (Abu-Doleh & Weir, 2007); technology in PM (Miller, 2003), national culture (Peretz & Fried, 2012); organizational culture (Ikramullah et al., 2016) and climate (Farndale et al., 2011) and organizational strategy and PM strategy (Ayers, 2013). Furthermore, PM was examined across multiple industries and sectors and in the context of other HR practices, which can also be considered as inputs. Macro inputs contain economic, legal, and institutional conditions. For example, economic crises seem to motivate an increasing interest in PM (Schleicher et al., 2018). All in all, these inputs influence PM's other components (e.g., tasks, processes) and their ultimate effectiveness.

Outputs of PM

Outputs of PM refers to what the PM system produces, such as performance rating(s), the feedback generated and delivered, the making of a development plan or other performance individual improvement plan, career planning, recommendations regarding administrative decisions of consequences based on performance (including compensation and rewards, promotion, training, termination, etc.), and documentation for legal purposes.

Besides, the outputs of PM are also strongly associated with the reaction to the PM system.

Fairness perception as one of the individuals' reactions to PM is a crucial criterion for effectiveness, and it is related to the failure or the success of the system (A. S. DeNisi & Murphy, 2017; Erdogan et al., 2001; Ikramullah et al., 2016; Taylor et al., 1995). Erdogan (2002) found that justice perceptions in performance management influence organization-related (i.e., commitment, turnover intentions), leader-related (i.e., prosocial behaviors targeting the supervisor, satisfaction with the leader), and performance-related outcomes (i.e., task performance, motivation to improve), through improved exchanges with the organization and the leader, and increased accountability pressure (Erdogan, 2002).

Principles of System-based model of performance management

The system-based model of performance management is grounded on the following principles: Congruence hypothesis, Internal interdependence, Capacity for feedback, Adaptation, and Equifinality.

Congruence hypothesis. The assumption of the congruence hypothesis states that the higher the total degree of congruence or fit between elements of the PM system, the more effective the PM system operates. Schleicher et al. (2018) pointed out that these fit between PM purposes and other system elements are crucial.

Internal interdependence. The principle of internal interdependence highlighted the interconnectedness and interdependence of system factors that any factor can have an effect on any other factors. Formal and informal practices are good examples of the internal interdependence of PM systems. While Pulakos and O'Leary (2011) argue that informal aspects of PM are more important than formal aspects, Schleicher et al. (2018) suggest that formal and informal processes are likely to interact in many ways. Therefore, scholars should investigate both formal and informal processes within the same study simultaneously. Informal factors (e.g., culture) may serve to mitigate or impair the effects of formal factors (e.g., rating approach) on PM outcomes. The effectiveness of formal processes most probably differs based on informal elements and vice versa.

Capacity for feedback. The principle of *capacity for feedback* suggests that outputs of the PM system are seen as providing key information (namely feedback) about how well the PM system operates, which then can be applied to monitor and correct the (PM) system. Identifying and evaluating specific PM outputs play an essential role in understanding how the different elements of the PM system are functioning. Schleicher et al. (2018) highlighted that the majority of research looking at outputs of PM other than performance ratings tends to link the *existence* of these various outputs with reactions or evaluations of the PM system.

Adaptation. The principle of *adaptation* suggests that PM system inputs and outputs should be kept at balance and fit with the environment. Thus, PM systems should adapt to changing environmental conditions, such as economic crises (i.e., inputs), to maintain their effectiveness.

Equifinality. The system's principle of equifinality refers to the fact that various configurations of different system elements can result in the same output/outcome. That is in line with the assumption of contingency theory: there is no "one best" or universal way to make a PM system effective. Similarly, different configurations of formal and informal processes can result in similar outcomes as well as different combinations of various PM tasks.

Effectiveness of performance appraisal system

Hereinafter, I discuss in detail the evaluation of the effectiveness of performance appraisal systems. This discussion is based on my previous article on Performance Management (Vajda, 2019).

The literature has drawn attention to a wide array of deficiencies related to many existing PM systems, such as failure to pursue and achieve PM purposes; lack of reliable, valid, and objective performance measures; appraisers' dependency on human information processing and rating judgments; inability to meet expectations of the key stakeholders; weak interpersonal relationships between appraisers and appraisees. In turn, the latter can generate interpersonal conflicts and dwindle trust and communication between the evaluators and appraisees.

Studies about PM suggest that there are four criteria of effectiveness, into which scholars can categorize each research: utilization, qualitative, quantitative, and outcome criterion. The utilization criterion refers to purpose achievement, which addresses the question of why companies conduct appraisals. The qualitative criterion indicates the justice perceptions of a performance appraisal system related to a set of rules and practices. The quantitative criterion refers to the psychometric soundness of rating formats, focusing on enhancing appraisal accuracy and minimizing rating errors and biases. The outcome criterion indicates appraisee reactions, in terms of both person- and organization-referenced outcomes reflect on appraisees' attitudinal evaluations of and responses to the system (Ikramullah et al., 2016).

According to Ikramullah et al. (2016), the effectiveness of performance appraisal system should be evaluated and judged not based on a single standard, but multiple criteria that also include values and preferences of all stakeholders, i.e., appraisers, appraisees, and the organization (including HR department and top management). In line with this, Ikramullah et al. (2016) proposed a comprehensive framework for the effectiveness of the performance appraisal system, which is built upon the competing values framework of Quinn and Rohrbaugh (1983).

After this, I discuss the effectiveness of competing value frameworks for an effective performance appraisal system in detail because of the following reasons:

First, Ikramullah et al. (2016)'s framework is a useful tool to consider the effectiveness of a performance appraisal system based on organizational values as a PM input factor of Schleicher et al. (2018)' model. Second, Ikramullah et al. (2016)'s framework also refers to evaluate the effectiveness of the performance appraisal system on all the four criteria, such as utilization, qualitative, quantitative, and outcome criteria, to take into account all the various important aspects of the system. In line with this, Ikramullah et al. (2016) argue that utilization, qualitative, and quantitative criteria are considered incomplete unless these three are linked to the fourth, outcome criterion which can also be associated with PM's output in Schleicher et al. (2018)' model. Third, by pre-evaluating PM of companies based on Ikramullah et al. (2016)'s framework, I can examine the selected cases for my research about the performance management system by which located in the same quadrant of the model. In line with this, one can control the effect of macro-environmental factors as inputs of PM as much as possible.

The competing values framework represents the competition between *stability* and *change* and between *internal organization* and the *external environment*. According to these two competing dimensions, the comprehensive framework for the performance appraisal system's effectiveness of consists of four quadrants: internal process model, rational goal model, human relations model, and open system model (see in Figure 10; Denison and Spreitzer 1991).

The internal process model (control and internal focus) underlines control, stability, information management, communication, and continuity. Its core assumption is related to the process (e.g., clarity of responsibilities, measurement, documentation, and record-keeping) governed by clear rules strictly followed by its users. It embraces assigning qualified appraisers, giving regular feedback, appraising performance, and recording in on a psychometrically sound rating format, giving access to information and weight to the voice of appraisees.

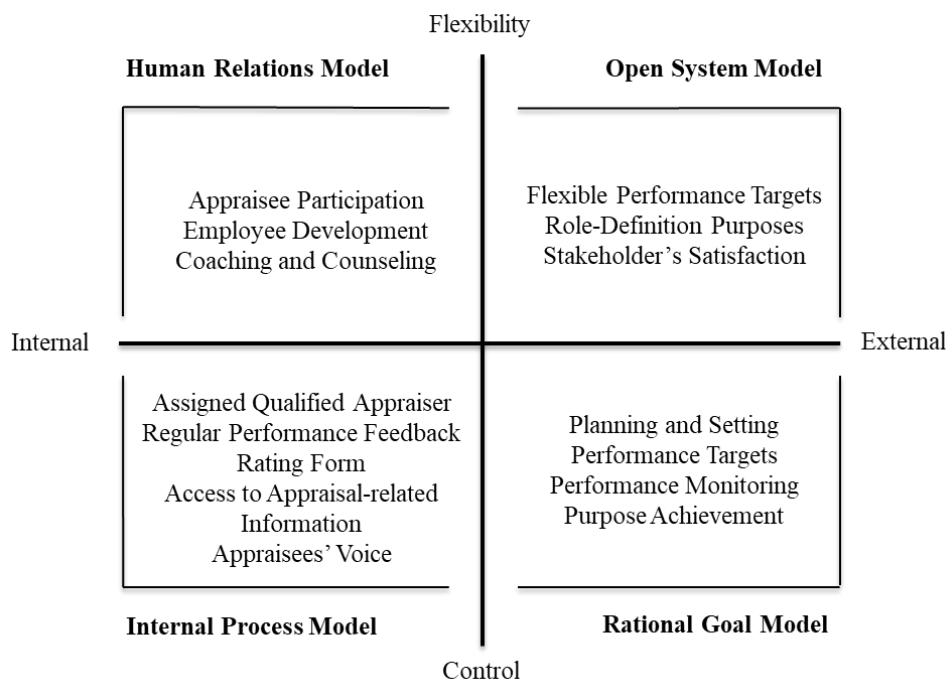
The rational goal model (control and external focus) comprises planning, goal setting, and efficiency. This model creates a link between clear and certain organizational goals and performance improvement. To increase effectiveness, firms set goals, develop plans, and then take action to accomplish these goals.

The human relations model (flexibility and internal focus) points out employee development, morale, and group cohesion. Appraisers are encouraged to seek appraisees' participation while making appraisal-related decisions. Appraisers need to coach their subordinates and underline employee development through training and development programs not only for improving their performance now but also to meet future workforce needs.

The Open system model (flexibility and external focus) underscores flexibility, readiness, out-spacing competition, growth, and acquiring resources. It concentrates on creative problem solving, innovation, adaptability, and management of change by defining flexible performance targets and role-definition purposes. Because of the development of technology, globalization, and workforce diversity, there are several differences in work settings and organizational structures. People have to develop new skills and have to perform different tasks.

Each key stakeholder has different values and preferences. However, the PM system should be effective in all four areas. These models can be good representations of the four criteria of effectiveness of PM systems. (Ikramullah et al., 2016)

Figure 10 - Competing value framework for an effective performance appraisal system



Source: (Ikramullah et al., 2016, p. 341)

Utilization, qualitative and quantitative criteria are incomplete unless these are linked to the outcome criterion. Regarding the qualitative criterion, without assessing a “fair process effect” (Folger et al., 1979), justice cannot be done. The literature highlighted that fairness perceptions are one of the employees' reactions to the PM system and are related to the success or failure of the system (Erdogan et al., 2001; Ikramullah et al., 2016; Murphy & Cleveland, 1991; Taylor

et al., 1995) since individuals' attitudes and behaviors can be determined by their perceptions of reality, not reality per se (Lewin, 1936).

Further Research Gaps and Research Directions

In the last decade, conceptual articles and research papers based on self-reported surveys of HR practitioners and CEOs dominate the PM literature. However, scholars agree that there is a call for increased use of qualitative methods (Brown et al., 2019; A. S. DeNisi & Murphy, 2017; Schleicher et al., 2018), including case studies, interviews, and content analyses of PM policies and documents to get a better understanding of the complexity of PM systems. In other words, we need more research on actual functioning PM systems, including real performance data in a real work environment context.

Firstly, by applying Nishii and Wright's (2008) multiple-lens model, process research should examine line-managers as key respondents (den Hartog et al., 2004), since they play the primary role as interpreters of formal processes and an essential source of informal processes (Schleicher et al., 2018; Tseng & Levy, 2019). Thus managerial compliance should be taken into account as a variable in future research since it is expected to work as the primary linking mechanism between formal and informal processes. We also need to study both formal, informal processes simultaneously and how these two forms interact and have an influence on one another. Is there a trade-off between the two that a company may make, such as informal feedback might substitute for formal feedback of PM review (Schleicher et al., 2018)?

Secondly, we should also conduct studies where we hear the voice and perspective of all stakeholders using the PM system, especially employees. Most of the studies suggest that positive employee reactions and outcomes occur when PM is perceived as fair (Brown et al., 2019). Accordingly, fairness perception as one of the employees' reactions to the PM system has been identified as an essential criterion in judging the effectiveness and usefulness of performance appraisal since it is not the validity and reliability of the measurement tools. However, the individual justice perceptions of these tools and practices affect employees' attitudes and behavior (Vajda, 2019). Little attention has been paid to the employee perspectives so far, although employees are eventually the recipients of PM, and their performances are subject to the PM systems (Farndale et al., 2011). The PM practices' effect on employees' commitment and performance depends on employees' perception and evaluation of these practices. The perception and attitudes may mediate and moderate the relationship between PM practices and these employee performance-related behaviors. We often assume that different people perceive the employment practices offered by their company similarly, yet variation may exist in employees' perceptions of PM practices or benefits even when, in objective terms, what is offered to different employees is similar (den Hartog et al., 2004).

Third, scholars should clarify how the different elements of PM interact as substitutes and complement each other from a systematic point of view. PM should be examined in the context of other HR practices to understand better PM's role on individual and organizational outcomes over and above other HR practices. Researchers should describe the context of their studies of PM along with contextual (input) variables, including national culture, industry, ownership and organizational type of firm, strategy and organizational culture (Schleicher et al., 2018), and virtual and collaborative workplaces (Brown et al., 2019). Regarding national culture, there are relatively few PM studies available in the Eastern European context (Brown et al., 2019) and even less in the Hungarian culture (Krasz, 2008; Takács, 2001, 2002a, 2002b). In the Hungarian context, scholars examined the goals of managers and subordinates during the performance

appraisal practice (Takács, 2001). They examined organizational culture concerning performance appraisal practice (Takács, 2002a, 2002b) and its perceived fairness among employees (Krasz, 2008).

2.3. Organizational justice

The contemporary theories about justice mainly concentrate on how individuals perceive justice, how they consider and investigate the subjective and phenomenological appraisal of a given stimulus or situation. Within this approach, something is considered to be “fair” not because it should be (normative), but because some people perceive it to be (descriptive) (Cropanzano et al., 2005; Greenberg & Bies, 1992). Scholars tend to consider the terms “justice” and “fairness” as synonyms. However, these two concepts are distinct. Justice is defined as adherence to rules of conduct, while fairness refers to the persons’ moral evaluations of this conduct (Goldman & Cropanzano, 2015a). Since I am examining a PM process and system, I apply and focus on the concept of perceived justice in general. However, when I would like to refer to the individuals’ moral judgment, I apply the concept of perceived fairness by making a clear distinction from justice.

Cohen-Charash and Spector (2001) theorized organizational justice in three constructs: distributive, procedural, and interactional justice. In this case, interactional justice includes interpersonal justice and informational justice. Colquitt (2001) conceptualized organizational justice in terms of four dimensions: distributive justice, procedural justice, interpersonal justice, and informational justice. People’s perceptions of fairness in organizations can be called organizational justice (Colquitt et al., 2005).

2.3.1. Distributive justice

Distributive justice refers to an employee's subjective assessment of the fairness of an outcome distribution (Cropanzano et al., 2005). Researchers define three central distribution norms: equity, equality, and need. These norms define what people consider as fair in the allocation of scarce resources. Distributive justice has its origin in equity theory (Adams, 1965), which discusses that individuals tend to compare their input-output ratio to others in order to conclude the level of fairness. When individuals perceive inequity in order to reduce unfairness, they can change their effort or adjust their perception of contributions (or costs) or benefits (or rewards), or they can modify their reference, or they can leave the situation (e.g., quitting the organization). While equity norms can foster individual productivity, they can hinder interpersonal cooperation and socio-emotional relations. Because of that, Deutsch (1975) and Leventhal (Leventhal, 1976, 1976b) argued that every time when the primary goal of an exchange is the promotion of group solidarity and harmony, equality is an adequate allocation norm. Equality means an equal share of the distribution regardless of the contribution. The third principle of distribution is a need, which is seldomly used limitedly at work.

Equity stands as the dominant conceptualization of distributive justice in the work environment. However, researchers agree that most allocation situations are managed by multiple allocation goals served by multiple allocation norms (Colquitt et al., 2005). Although people less accept equality, this is one of the most commonly used norms in everyday life because, in complex situations, it is easier to use heuristics rather than complicated rules in the decision-making.

National and organizational culture and individual characteristics may also have an impact on the application of a single distribution principle. Cross-cultural studies showed that

individualist cultures instead apply the principle of equity, whereas collectivist cultures are more inclined to apply the principle of equality (Ramamoorthy & Flood, 2002). Deutsch (1982) argued that the nature of the relationship between the parties affects the application of the distribution norm as well. If the relationship is for profit, we tend to apply equity; if the relationship is for joy, we tend to apply equality, and if the relationship is for development and prosperity, the principle of need is more dominant. At the individual level, egocentric bias, profit maximization, fundamental attribution error (Harvey & Martinko, 2010), and individualism/collectivism orientations (Ramamoorthy & Flood, 2002, 2004) may also influence the preferred distribution principle.

2.3.2. Procedural justice

Procedural justice is defined as the perceived fairness of the process used to determine outcomes (Cropanzano et al., 2005). Individuals tend to react more constructively if they believe the procedures that resulted in the unfavorable outcome were fair (Thibaut & Walker, 1975; Tyler & Lind, 1992).

2.3.2.1. Theoretical frameworks of procedural justice

In their work, Blader and Tyler (2005) reviewed the major justice theories and research to consider why procedural justice has an impact on employee attitudes and behavior in the workplace. These major justice theories are the instrumental (i.e., control and social exchange) theories, the relational theories, the fairness heuristic theory, the fairness theory, the moral virtues theory, and the attributional model of procedural justice. These theoretical frameworks can offer a better understanding of the effect of procedural fairness on employee attitudes and behavior while adopting different viewpoints about why people care about and how they assess justice. Consequently, each viewpoint raises different psychological concerns and explains reactions to the PM processes differently.

Instrumental models of justice: Control model and Social exchange theories

Instrumental models of justice refer to the Control model and Social exchange theories about why people care about and react to justice perceptions based on the resource- and exchange-based concerns that employees have. In the case of both theories, employees perceive procedural justice as instrumental in achieving their desired outcomes.

On the one hand, the Control model of Thibaut and Walker (1975) explains that people tend to have a desire to control what happens to them. Since people have a lack of control over the outcomes they receive from decision-makers, people appreciate process control because it allows them to influence the outcomes they receive indirectly. On the other hand, Social exchange theories concentrate on the mutual give-and-take relationship that operates between the employee and either the supervisor or the organization. These theories argue that the influence of justice perceptions on employee cooperation is mediated by social exchange variables, such as leader-member exchange and perceived organizational support (Masterson et al., 2000). These social exchange variables underline the reciprocal duties between two parties to a relationship (Blader & Tyler, 2005).

Relational Models of Justice

The relational model of justice is based on people's reactions to procedures and the identity implications that process fairness evaluations have for how people interpret their social

identities concerning their organizations (Blader & Tyler, 2005). This research stream originally stemmed from the group-value model of Lind and Tyler (1988) and the relational model of the authority of Tyler and Lind (1992), which has been then extended into an integrative model of how procedural justice promotes cooperation in groups (i.e., group engagement model) (Blader & Tyler, 2005). In the group-value model, Lind and Tyler (1988) argued that people also have a need to be valuable members of their groups. They stated that it is crucial for employees to obtain information about their relationships with others and their roles within the group, which they can learn firstly from the processes. The group engagement model argument consists of three main identity-related variables that are connected to procedural justice: perception of the status of the organization (pride), perceptions of one's status within the organization (respect), and the extent to which people define themselves as members of the organization (identification). Contrary to instrumental theories, this model highlight that people become intrinsically motivated to cooperate and work for the company's success, not for personal benefits.

Fairness Theory

Fairness theory (Folger & Cropanzano, 2001) explains the elements that determine whether individuals perceive a situation as fair or not are? This theory puts emphasis on the significant role of accountability judgments and counterfactual thinking as a fundamental cognitive procedure in the assessment of accountability and, thus, justice (Blader & Tyler, 2005). Employees are more likely to evaluate an experience as unfair when three types of counterfactual thoughts are met.

First, the “would” judgments occur when the employee senses that he or she has experienced injustice and must also be able to imagine alternative situations that would be more positive. Second, the “could” judgments concern that the employee must define who is accountable for the situation in question and whether or not this responsible person or entity had the discretion to act differently. Third, the “should” judgments encompass the employee's moral judgment of the situation; it raises the question of whether the things that should have happened differently than they were, based on one's moral or other standards? All three components are needed for someone in order to evaluate the situation as unfair.

Fairness Heuristic Theory

Fairness heuristic theory focuses on exploring the cognitive processing of fairness information. The theory assumes that individuals often need to manage uncertainty while they are working in a group. This uncertainty refers to the individual's fear of exploitation by authorities and to his or her fear of rejection (Lind, 2001). That is why group members tend to search for signals and hints about whether authorities can be trusted and whether they are included in the group. Procedural justice can be considered as one of these hints, and the evaluation of process fairness is a heuristic for defining whether authorities can be trusted or not (Blader & Tyler, 2005).

Moral virtues model

The moral virtues model describes why people value justice. Blader and Tyler (2005) argue that if employees regard justice as a moral issue, they will tend to be part of the organizations that they perceive as respecting this moral imperative.

Attribution model

Based on the attributional model, the perceived fairness of the performance appraisal process depends on what kind of attributions the employee possesses. Attribution is a „causal explanation for an event or behavior” (Harvey & Martinko, 2010, p. 147). The formation of

causal attributions is vital for adapting to changing environments, coping with difficulties, and overcoming the challenges which we are facing in our everyday lives. When an employee experiences desirable outcomes (e.g., promotion or positive feedback of the year-end performance review), attributions help him/her understand what caused those events so he/she can experience them again when the employee experience unpleasant outcomes (e.g., negative feedback of the year-end performance review), attributions help him/her to identify and avoid the behaviors and other factors that caused them to occur (Harvey & Martinko, 2010).

The attribution model of procedural justice is built on the presumption that fair procedures imply that the outcomes are associated with the deserved procedure. That means that fair procedures are equal to internal causal attributions for outcomes because decision-making characteristics (e.g., neutrality) tend to foster distributions that reflect people's inputs when equity is the distributive rule (Blader & Tyler, 2005). Individuals may value procedural fairness and react to it because it allows them to make self-serving causal attributions for their outcomes. Firstly, self-serving attributions can satisfy their distributive justice motives in a way that individuals feel that they deserve positive outcomes and they do not deserve adverse outcomes. Secondly, self-serving attributions may boost their self-esteem in a way that it fosters them to take credit for positive outcomes and to disassociate themselves from adverse outcomes, especially when information about the procedure is lacking (Blader & Tyler, 2005).

In summary, these theories are not all mutually exclusive from one another. They can be true under certain conditions, where others may work under different conditions. Furthermore, multiple motives can be at work within the same judgmental context. In some cases, the theories may complement one another.

Fairness theory's emphasis on accountability may make an important contribution to determining leaders' trustworthiness and their likelihood of exploiting group members, on which fairness heuristic theory focuses.

2.3.2.2. Rules of procedural justice

Procedurally, there are main rules that employees usually apply when considering the fairness of management decisions and administrative procedures. Accordingly, management should make decisions (a) based on accurate information (**accuracy**); (b) **free of bias**; (c) consistently across people and across time (**consistency**); (d) with a mechanism by which to correct errors (**correctability**); (e) with the concerns (voice) of all interested parties considered (**representativeness**); and (f) in a way that conforms to personal or prevailing ethical standards (**ethicality**) (Colquitt, 2001; Leventhal, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975).

2.3.2.3. Procedural Justice Climate

Procedural Justice Climate (PJC) is defined as a shared justice perception within an organizational collective. PJC is formed based on 1) group members' perceptions about the fairness of decision processes and 2) social information processing about everyday experiences developing as group members communicate and engage in collective sense-making (Barnett et al., 2012; Naumann & Bennett, 2000).

2.3.3. Interactional justice: interpersonal and informational justice

Bies and Moag (1986) define interactional justice as the fairness of interpersonal treatment received during the execution of a procedure. They primarily focus on the relationship between the authority and those subject to his or her decision. Bies and Moag (1986) also underline the

importance of truthfulness, respect, and justification as fairness criteria of interpersonal communications. Colquitt (2001) argues that interactional justice comprises two components: informational justice and interpersonal justice. Informational justice refers to the quantity and quality of the information provided during the process (i.e., whether a manager shares timely and relevant information and explanation to employees). Interpersonal justice refers to the social aspects of distributive justice, and it describes the perception of respect in one's treatment (i.e., how respectfully a manager treats employees).

In general, all the elements of the justice dimensions have an influence on perceived justice, and they usually interact with each other. Mainly, there are strong correlations between procedural and distributive justice (Blader & Tyler, 2005). Since employees have limited information about the results of the distribution of their coworkers, they cannot make a proper social comparison of their input/output rate. The significance of procedural justice is related to the assumption that people have better access to procedural elements than output information. Thus they can make justice judgments related to their impressions of the process, and they try to integrate their knowledge about the output into that.

2.3.4. Perceived justice of performance management and appraisal

Greenberg (1986) was the first scholar, who applied the theory of organizational justice in performance management, and after that Greenberg (1993a) developed a four-factor model: (a) systemic justice (structural-procedural), (b) informational justice (social-procedural), (c) configural justice (structural-distributive), (d) interpersonal justice (social-distributive) (Cropanzano et al., 2007).

This model is comprised of two dimensions: distributive/procedural and structural/social dimension. The distributive justice perceptions focus on outcome allocations, while procedural justice perceptions focus on how allocation decisions are made. The structural components define the context of decision-making for processes and outcomes, while the social components imply the quality of interactions during the communication of processes and outcomes. In Table 2, the concerns regarding the justice implication of the performance appraisal system are summarized based on Walsh (2003).

Table 2 - Taxonomy of Justice Perceptions Applied to Performance Appraisal

	Procedural Justice	Distributive Justice
Structurally Determined	<p><i>Systemic</i></p> <p>Concerns about procedures to</p> <ul style="list-style-type: none"> assign raters: <ul style="list-style-type: none"> formal PA system is in place; job dimensions are highly relevant; raters have sufficient level of knowledge of the ratee's job, of the ratee's level of performance and knowledge of the PA system. set criteria and gather information: <ul style="list-style-type: none"> procedures are free from bias, accurate, correctable, representative of all concerns (voice) and based on accepted ethical standards. seek appeals: <ul style="list-style-type: none"> the ability to appeal performance ratings, express feelings, correct ratings. 	<p><i>Configural</i></p> <p>Concerns about the norms that lead to ratings and the personal goals of the raters:</p> <ul style="list-style-type: none"> rater is not perceived to be driven to conform to other distribution norms such as equality, need, or social status than it is set previously; rater is considered to be attempting to avoid conflict by inflating ratings; to play favorites; or to yield to political pressures to distort ratings.
Socially Determined	<p><i>Informational</i></p> <p>Concerns about the way raters communicate with their ratees:</p> <ul style="list-style-type: none"> the quality of the interactions of implementing and communicating the procedural aspects of the system (e.g. interactions involve the setting of performance goals and standards, routine feedback, and explanations and justifications of the decisions). 	<p><i>Interpersonal</i></p> <p>Concerns about the treatment that ratees receive from their raters:</p> <ul style="list-style-type: none"> showing respect and sensitivity in supervision (e.g. raters show concern for individuals regarding the outcomes they receive).

Source: Edited based on Greenberg's (1993b) Taxonomy of Justice Perceptions Applied to Performance Appraisal (Thurston, 2001 in Walsh 2003).

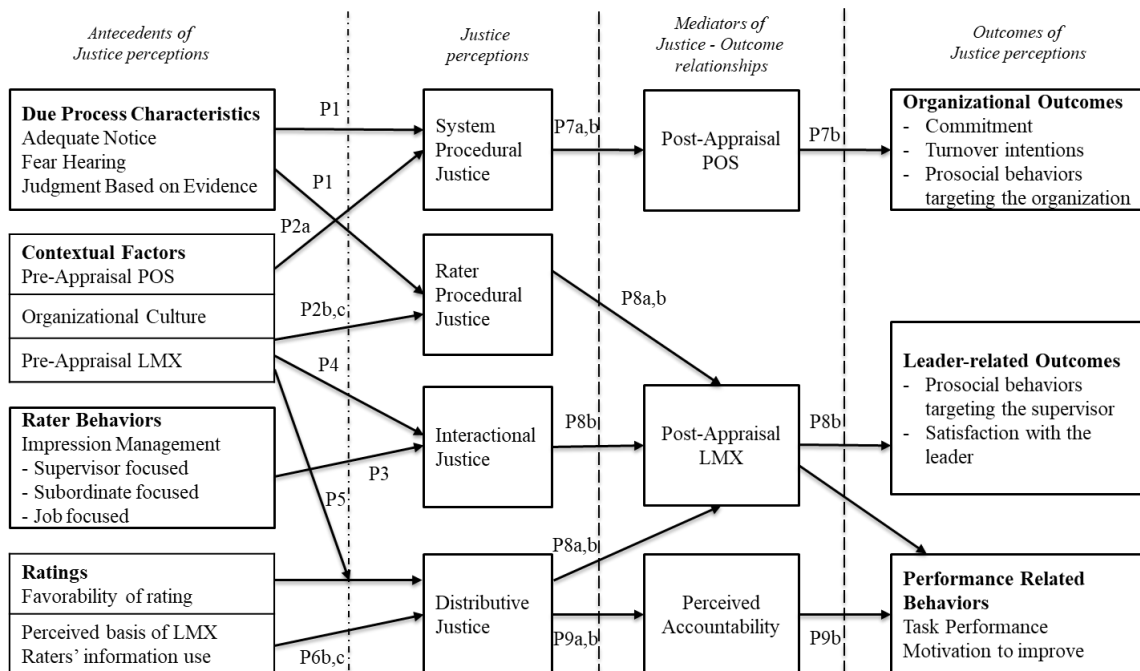
Greenberg's (1993a) conceptualization of the four types of justice offers the opportunity to more comprehensively study and organize employees' perceptions of fairness concerning performance appraisal systems. Later Colquitt (2001) developed a questionnaire to assess the perceived organizational justice among employees. Greenberg's description of the perceptions of fairness and the questionnaire of Colquitt (2001) have already provided practitioners with valuable insights to understand and examine organizational justice perceived by their colleagues at their companies and to manage the complex system of performance management better.

In her article, Erdogan (2002) made one step further by proposing a conceptual model of antecedents and consequences of justice perceptions in the performance appraisal setting. Antecedents of justice perceptions consist of due process characteristics, organizational culture, pre-appraisal leader-member exchange (LMX), perceived organizational support (POS), impression management, behaviors of raters, the perceived basis of LMX, and perceived type of information raters apply. Social exchange and accountability theories are applied to link justice perceptions to organizational, leader-related, and performance-related outcomes. Erdogan (2002) categorized organizational justice into four dimensions: distributive justice, interactional justice, while procedural justice is conceptualized as two related but still distinct constructs reflecting system procedural justice and rater procedural justice. *Rater procedural justice* refers to the perceived fairness of procedures, which supervisors as raters use during performance evaluations. In contrast, *system procedural justice* refers to the perceived fairness of the performance appraisal procedures introduced by the organization. Erdogan (2002) created a significant conceptual model of antecedents and consequences of justice perceptions in formal performance appraisals conducted by the supervisor. In her model, she defined performance appraisal as the "whole procedure, including the establishment of performance standards, appraisal-related behaviors of raters within the performance appraisal period,

determination of performance rating, and communication of the rating to the ratee” (Erdogan, 2002, p. 556).

She also made several assumptions about the hidden mechanisms in the performance appraisal context that could form the basis of future research, including my research as well. That is why, in the following, I discuss Erdogan’s model and its propositions in detail. Erdogan’s model (2002) is depicted in Figure 11.

Figure 11 - Antecedents and consequences of justice perceptions in performance appraisals



Source: The revised figure of Erdogan (2002, p. 559)

2.3.4.1. Antecedents of justice perception

The author characterized the antecedents of justice perceptions into four categories, such as 1) due process characteristics, 2) contextual factors, 3) rater behaviors, and 4) ratings, but I discuss them in line with the four types of perceived justice.

Antecedents of procedural justice

Due process characteristic

Fair system characteristics can be characterized under the name of “due process appraisals” (Folger et al., 1992), which are based on three basic components: adequate notice, fair hearing, and judgment based on evidence.

Adequate Notice

Components of adequate notice require that raters should provide performance appraisal goals and standards (i.e., appraisal criteria) to ratees, raters should let employees participate in standard development, and raters should provide feedback during the appraisal period.

Erdogan (2002) proposes that *components of adequate notice will be differentially associated with system and rater procedural justice in a way that communication of appraisal criteria and involvement in the development of appraisal criteria will be positively associated with system procedural justice, while frequent feedback will be positively linked to rater procedural justice (Proposition 1a)*

Fair Hearing

Components of fair hearing require that raters are familiar with their ratee's work, and ratees can give their explanations and provide input before the decision.

Erdogan (2002) suggests that *components of the fair hearing will be associated with system and rater procedural justice in different ways. Having a rater knowledgeable of ratee's work will be positively linked to system procedural justice, while allowing ratee's input in the decision-making process will be positively linked to rater procedural justice (Proposition 1b).*

Since appointing a rater who is familiar with ratee's work is more likely the responsibility of the company, and thus it rather anticipates system procedural justice. While allowing the ratees' voice in the decision is often at the rater's discretion.

Judgment Based on Evidence

Components of judgment based on evidence require that appraisal standards should be employed consistently across all employees, the rater should explain the decision after referring to evidence, and appeal mechanisms should be in a place that allows employees to challenge the decision which was made. Erdogan (2002) suggests that *components of judgment based on evidence will be associated with system and rater procedural justice in different ways. The existence of effective appeal mechanisms will be positively associated with system procedural justice. At the same time, consistent application of standards and explaining the decision to the ratee will be positively linked to rater procedural justice (Proposition 1c).* Since creating appraisal standards is the responsibility of the company, but employing them consistently across individuals and explaining the decision is the responsibility of raters.

Contextual Factors

Contextual factors consist of Perceived Organizational Support (hereinafter POS), organizational cultures, and leader-exchange quality (hereinafter LMX).

Pre-Appraisal POS

Perceived Organizational Support is defined as the global perception of employees that the company cares about them and their well-being. When an employee joins the company, he/she slowly develops POS on the basis of organizational practices and processes, which he/she experiences within the organization. Consequently, employees will already have shaped their POS before their first performance appraisal, which can be called pre-appraisal POS. Erdogan (2002) proposes that *Pre-Appraisal POS will be positively related to system procedural justice perceptions during the appraisal (Proposition 2a).* If employees have a positive exchange with the company, they may expect the procedures to be taken place as fair.

Organizational Culture

Performance appraisal systems should fit the culture of the *organization* (Ikramullah et al., 2016) since organizational culture constructs the context in which performance appraisal takes place, and that is why it is most probably has an impact on justice perceptions. Though

organizational culture can be conceptualized in different ways, in her model Erdogan conceptualized organizational culture based on behavioral norms by Cooke and Rousseau (1988). According to this, it includes three behavioral styles such as constructive, passive-defensive, and aggressive-defensive styles. In companies with more constructive cultures, achievement and individual development are more valued, and thus appraisal systems may be perceived as more useful and less imminent. In companies with more passive-defensive cultures, individuals attempt to diminish interpersonal conflict and maintain their status quo, thus raters may try not to conduct realistic appraisals in order to avoid confrontation. In companies with more aggressive-defensive cultures individuals focus on gaining or maintaining their power, thus performance appraisal may serve as a political tool. Consequently, the importance of procedural justice perceptions in constructive cultures may be higher. Therefore, Erdogan (2002) proposes *that firm culture will be related to perceptions of rater procedural justice such that, in constructive cultures compared to passive-defensive or aggressive-defensive cultures, the highest levels of rater procedural justice may occur (Proposition 2b).*

Pre-Appraisal LMX quality

PA happens within the context of an ongoing relationship between the leaders and their team members. A high-quality leader-member relationship is clarified by trust, respect, affection, and openness rather than just stated in the employment contract. As a result, subordinates may believe that they have more control over appraisal procedures because of their exchange quality with their supervisor. Therefore, Erdogan (2002) proposes that *Pre-Appraisal LMX quality will be positively related to perceptions of rater procedural justice (Proposition 2c)*

Antecedents of interactional justice

Being respectful and providing two-way communication may cause interactional justice perceptions among subordinates. In the process of performance evaluation, interactional justice refers to the fairness of communication and interaction, which may be determined by the *Impression management* as rater behavior during performance appraisal and *Pre-Appraisal LMX quality* as contextual factors.

Impression management

Impression management can be defined as behaviors that vary or preserve the rater's image in the eyes of the subordinates. Erdogan (2002) categorized the impression management tactics of appraisers as supervisor-focused, subordinate-focused, and job-focused based on Wayne and Ferris (1990). *Supervisor-focused tactics* are behaviors trying to give the impression that the supervisor is likable by being polite and friendly during the review. *Subordinate-focused tactics* refer to behaviors that do favors or praise the subordinate by demanding personal reasons behind poor achievements or agreeing with the subordinate during the discussion. *Job-focused tactics* refer to behaviors that try to show an image that the manager is effective in his or her job as a supervisor and evaluator. That means the manager may take charge of an event positively influencing the employee, and he/she tries to diminish responsibility in an event negatively influencing the subordinate during the performance appraisal interview. Thus, Erdogan (2002) proposes that *if appraisers apply job-focused impression management tactics, that will be negatively related to interactional justice perceptions. In contrast, the use of supervisor and subordinate-focused tactics will be positively related to interactional justice perceptions (Proposition 3).*

Pre-Appraisal LMX quality

Regarding the high quality of *Pre-Appraisal LMX* relationships, leaders act in a less authoritarian way and apply formal authority less often. Thus, Erdogan (2002) proposes that *Pre-appraisal LMX quality will positively affect interactional justice perceptions during performance appraisal (Proposition 4)*.

Antecedents of distributional justice

Performance ratings

A positive relationship is likely between performance ratings and distributive justice because subordinates are expected to overvalue their contributions to the team. Thus they may perceive high ratings as fairer. Nevertheless, ratings need to reflect actual performance. In order to achieve both accuracy and fairness, distributive justice perceptions have to be measured with items that differentiate favorable inequity from equity and fairness from satisfaction with evaluation.

Pre-Appraisal LMX quality

Erdogan (2002) suggests that *the relationship between ratings and the perceptions of distributive justice may be moderated by LMX quality in a way that, for high LMX employees, there will be a stronger positive relationship between the two of them (Proposition 4)*.

Perceived basis of LMX

Despite all the efforts of the companies, employees often make comparisons about their evaluations with their peers. They may compare their ratings by making an internal comparison based on their internal standards or past ratings. Furthermore, they may also make external comparisons by guessing the performance rating that will be given to other members of their teams. According to this, Erdogan (2002) suggests that *when appraisees do not know the performance ratings of their colleagues, they will assume that those with higher LMXs are more probably to receive higher performance ratings (Proposition 6a)*. Furthermore, Erdogan (2002) also argues that *distributive justice perceptions will be influenced by the perceived degree to which the manager forms high-quality LMXs based on work-related factors (Proposition 6b)*.

Rater information use

Williams et al. (1985) identify three types of information raters apply in performance appraisal settings: consistency, distinctiveness, and consensus. Consistency can be defined as how the individual as ratee behaves in the same setting across different occasions. Distinctiveness can be defined as how the ratee behaves in different settings. Consensus can be determined as to how other employees act in the same setting. According to Williams et al. (1985), which behaviors are mainly perceived depends on what types of information the rater searches.

Based on this, Erdogan (2002) suggests that *the perceived type of information used in performance appraisals will be associated with distributive justice perceptions, in a way that the rater's application of consistency and distinctiveness of information will positively affect distributive justice perceptions and the rater's application of consensus information will be negatively associated to it (Proposition 6c)*.

2.3.4.2. Outcomes of justice perceptions

Justice perceptions in performance appraisals influence organization-related (i.e., commitment, turnover intentions), leader-related (i.e., prosocial behaviors targeting the supervisor, satisfaction with the leader), and performance-related outcomes (i.e., task performance, motivation to improve), through improved exchanges with the organization and the leader, and increased accountability pressure (Erdogan, 2002).

Organizational outcomes

Procedural justice is referred to as the strongest predictor of organizational outcomes, such as commitment, turnover intentions, job satisfaction, and organizational citizenship behavior, which referred to the degree to which employees act in ways that are not in their job descriptions but are good for their company. In her model Erdogan (2002) highlights that *system procedural justice will be positively associated with post-appraisal Perceived Organizational Support (POS) (Proposition 7a) while Post-appraisal POS will be a mediator of procedural justice–organizational outcome relationship (Proposition 7b).*

Leader-related outcomes

Leader-related outcomes are employees' attitudes reflecting satisfaction with the supervisor and employees' behaviors that are good for the supervisor, such as prosocial behaviors targeting the leader. Erdogan (2002) emphasizes that *rater procedural justice and distributive justice perceptions would be positively associated with post-appraisal LMX (Proposition 8a), while the connection between rater procedural justice, interactional justice, distributive justice, and leader-related outcomes may be mediated by post-appraisal LMX (Proposition 8b).*

Performance-related outcomes

Based on the study of Gerstner and Day (1997), procedural, interactional, and distributive justice perceptions may be indirectly linked to individual performance through their impacts on LMX quality. Moreover, justice perceptions can affect individual performance through perceived accountability, as well. Erdogan (2002) suggests that *distributive justice perceptions will be positively associated with perceived accountability (Proposition 9a). In contrast, the relationship between distributive justice perceptions and performance-related outcomes will be mediated by perceived accountability (Proposition 9b).*

All in all, besides its significant contribution, there are some limitations of the model of Erdogan (2002) as well. First, the author defines performance appraisal as a formal process of assessing employees, in which formal appraisals are conducted periodically. However, informal evaluations and feedbacks on a daily basis can have a significant impact on the justice perception of performance appraisals. Second, the article only focuses on formal appraisals conducted by supervisors. The model might not be generalizable to a team member, subordinate, or complete 360° appraisals.

PM systems are “signals” of the organization’s intentions towards its employees, and they may be interpreted as “fair” or “unfair” by employees separately. Thus, employees do not automatically perceive these practices similarly or react to them in a similar way (den Hartog et al., 2004). More research is required to focus on the employees’ reactions to PM practices since employees’ commitment and performance depends on their perception and evaluation of these practices, which is based on employee’s previous experience, their beliefs, comparison to

others (Guest, 1999 in den Hartog, Boselie, and Paauwe 2004) or their attributional styles (Harvey & Martinko, 2010).

In the Hungarian literature, the HRM of family businesses is slightly dealt with in connection with succession, while the family business nature is not included in the PA research either. At the same time, several significant studies have been published on the perceived justice of PM. Takács examined the relationship between organizational culture and PA (Takács, 2002a, 2002b), as well as the different goals of managers and subordinates during performance appraisal (Takács, 2001). Szilas studied the relationship between perceived organizational justice and work-stress in a multi-paradigmatic approach (Szilas, 2011, 2014). Gerákné Krasz emphasized the importance of organizational culture, trust between managers and subordinates, and commitment to the organization in perceived justice of PA (Gerákné Krasz, 2008; Krasz, 2008).

3. Systematic literature review

After I introduced the general theoretical framework relevant to the research topic, I discuss the results and consequences of the systematic literature review explicitly conducted on the research question. First, I introduce the methodology of the systematic literature review. Second, I discuss the descriptive analysis of the review. Third, I highlight the main findings of content analysis, and I introduce the conceptual framework and the propositions.

3.1. The methodology of systematic literature review

In order to make the research systematic, explicit, comprehensive, and reproducible, the literature review follows the procedure and methods as recommended by Fink (2010), which comprises of seven stages: (1) selecting a research question (2) selecting bibliographic or article databases, (3) choosing search terms, (4) applying practical screening criteria, (5) applying methodical screening criteria, (6) doing the review and (7) synthesizing the results.

Once I identified the research question, first, a search strategy, second, a selection criterion was defined based on the research question both for generating the sample and for selecting relevant articles from that sample.

Peer-reviewed, English-language, scholarly journals are included in the search as they can provide a validated source of knowledge in contrast to other relevant sources of information, such as conference papers and working papers (Podsakoff et al., 2005). The timeframe was restricted to articles published (online) until December 2019.

As a first step, a broad article search was conducted in the scientific database of EBSCO Business Source Complete, JSTOR - Essential Collection, and in the eight most influential journals in Family Business Research, such as the Family Business Review, Entrepreneurship: Theory & Practice, Journal of Small Business Management, Journal of Business Venturing, Academy of Management Journal, Journal of Family Business Strategy, Administrative Science Quarterly, and Journal of Family Business Management and two other journals related to Human Resource Management Research, the Human Resource Management Review and the Human Resource Management Journal.

Search keywords were deduced from the literature and from the research question for ensuring the systematic and comprehensive nature of the search. However, I decided not to restrict the search by using too few keywords in the beginning. The list of the keywords and their applied combination can be seen in Table 3.

Table 3 - Keywords applied for the search

Keywords applied for the search	
1	("family business*" or "family firm*" or "family compan*" or "family enterprise*") and ("performance management" or "performance appraisal") and ("justice" or "fairness" or "just" or "fair")
2	("family business*" or "family firm*" or "family compan*" or "family enterprise*") and ("performance management" or "performance appraisal")
3	("family business*" or "family firm*" or "family compan*" or "family enterprise*") and ("justice" or "fairness" or "just" or "fair")

As a second step, the resulting sample of the article search was further narrowed based on the following criteria. Articles were excluded if they did not even partially discuss the research question, as stated above in their abstract. Altogether, the article search resulted in 45 articles by excluding the duplications from different sources. As a third step, I examined the selected sample more closely and read the entire article to guarantee a sufficient level of rigor and relevance. Due to non-compliance with the following selection criteria, 15 other articles were excluded: (1) thematic focus on performance management practices or HR practices in general including PM, and/or perceived justice by family and nonfamily employees, (2) connection to family businesses, (3) empirical and conceptual articles, (4) methodical transparency and clarity in the presentation of results. To extend the scope of the search, I also viewed the reference lists of the remained 30 articles and additionally identified two articles and two book chapters that met the criteria. Thus, our final database for analysis comprises 33 articles and two book chapters.

3.2. Descriptive analysis

3.2.1. Distribution of papers over the years

In Table 4, the timely distribution of the publication shows that there were two waves of publications about the topic over the last 20-year period. In the first wave, nine articles were disclosed between 2011 and 2014; in the second wave, 19 articles were published from 2016 until 2019. In the early 2000s, studies were explicitly published in the Asian cultural context (Amba-Rao et al., 2000; Gatfield & Youseff, 2001). The paper of Van der Merwe (2009) was the only study, which I found based on the three keywords search, however theoretical operationalization of the construct is not precisely defined, and the novelty of the findings is scarce. The authors aim to provide practical recommendations for managers to improve the effectiveness of family employee work performance and compensation in family businesses. The most significant and cited publication in the field was written by Tim Barnett and Franz W. Kellermanns in 2006, which provided a theoretical background for other publications as well later. Thus, Tim Barnett and Franz W. Kellermanns's paper (2006) also serves as a basis of my current research.

Table 4 - Distribution of papers over the years

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of publications	1	1	0	0	0	1	1	1	0	1	0	2	3	3	1	0	1	2	10	6

3.2.2. Most targeted journals

Human resource management is generally an unexplored area in family business research. Table 5 shows that altogether, the final database included 32 articles and two book chapters. The first third of the papers were published in Human Resource Management journals (11 articles), the second third of the papers were published in Family Business journals (10 articles). In contrast, the third third was published in other general management journals (11 articles), in

which few were partly related to the field of business ethics (2 articles) and small enterprises (1 article). Only one article was published in the Academy of Management Journal, which also shows the under-representation of family business research in high prestige journals in management now. Most of the papers were published in Human Resource Management Review (6 articles). Entrepreneurship Theory and Practice and Family Business Review shared second place with three articles. In contrast, the Journal of Family Business Strategy, Journal of Family Business Management, and the South African Journal of Business Management shared the third place with two articles.

Table 5 - Number of Papers on PM and perceived justice in Family Firms in each journal

Journal	Number of Publications (2000-2019)
Academy of Management Journal	1
Business Ethics: A European Review	1
Business Horizons	2
Entrepreneurship Theory and Practice	3
European Journal of Work and Organizational Psychology	1
Family Business Review	3
German Journal of Human Resource Management: Zeitschrift für Personalforschung	1
Human Resource Development International	1
Human Resource Management	1
Human Resource Management Review	6
International Journal of Global Management Studies	1
International Journal of Human Resource Management	1
Journal of Business Ethics	1
Journal of Business Research	1
Journal of Family Business Management	2
Journal of Family Business Strategy	2
Journal of Management Studies	1
Research in Personnel and Human Resources Management (book chapter)	1
Small Enterprise Research	1
South African Journal of Business Management	2
The Palgrave Handbook of Heterogeneity among Family Firms (book chapter)	1
Σ	34

By analyzing the relevant empirical studies, the predominance of quantitative research (12 papers) over qualitative research (3 papers) is salient in the family business research as well. Regarding the type of studies, I identify 19 conceptual and 15 empirical papers. Among the conceptual papers, I can also pinpoint literature reviews (Hoon et al., 2019; Marler et al., 2019; Tabor et al., 2018) and a country-specific paper about Chinese Family Businesses and Chinese Business Clan (Gatfield & Youseff, 2001).

Samara et al. (2019) pointed out the importance of the relationship between the cultural embeddedness of bifurcated compensation practices. The authors draw on two cultural dimensions: individualism/collectivism and power distance (Hofstede, 1984). That is also in line with other cross-cultural studies about the difference between individualist and collectivist cultures related to the preferred application of different distribution principles (Ramamoorthy & Flood, 2002). However, the result of the systematic literature review shows that we have limited knowledge and understanding of the effect of the different national culture contexts on

HR practices at family firms. Qualitative studies are interestingly conducted in Asian cultural context (Haslan et al., 2019; Mustafa et al., 2018; Yujie Cai & Mingtian Yu, 2013), while the majority of quantitative data generated from family firms operating in the US (Eddleston et al., 2018; R. Kidwell et al., 2012; Madison et al., 2018; Memili et al., 2013) or Western European countries (Kotlar & Sieger, 2019; Neckebrouck et al., 2018; Sieger et al., 2011; Steijvers et al., 2017). The other third of the quantitative data comes from Austria-Hungary (Pittino et al., 2016), South Africa (van der Merwe, 2009; van der Merwe et al., 2012), and India (Amba-Rao et al., 2000).

3.2.3. Most adoptive perspectives

Theoretical perspectives

The theoretical foundation of professionalization and HRM in a family business is stemmed from Transaction Cost Economics (TCE). However, it is discussed only by one article focusing on bounded rationality and bounded reliability in a study of Nonfamily Managers' Entrepreneurial Behavior in Family Firms (Kotlar & Sieger, 2019). Regarding governmental mechanisms in family businesses, the most adopted theoretical perspectives are socio-emotional wealth (Cruz et al., 2011; Firfiray et al., 2018; Memili et al., 2013; Samara et al., 2019; Samara & Paul, 2019); agency theory (Lubatkin, Ling, et al., 2007; Madison et al., 2018; Neckebrouck et al., 2018), and stewardship theory (Neckebrouck et al., 2018).

In the case of perceived justice, authors draw their conclusions based on organizational justice theory (Haslan et al., 2019; Lubatkin, Ling, et al., 2007; Madison et al., 2018; Mustafa et al., 2018; Samara & Paul, 2019) fairness theory and fairness heuristic theory (Barnett & Kellermanns, 2006), equity theory (Samara et al., 2019) and social identity theory (Barnett & Kellermanns, 2006). Family influence can be seen as a source of informal HRM practices that are committed in the social exchange (Barnett & Kellermanns, 2006; Pittino et al., 2016) and leader-member exchange (Barnett & Kellermanns, 2006) process.

Scholars discuss family presence and influence on HRM and PM practices in articles with the theory of relationships (Gagné et al., 2014), imprinting theory (R. E. Kidwell et al., 2018), contingency theory (Firfiray et al., 2018), family systems theory (Daspit et al., 2018), circumplex theory (Daspit et al., 2018), and normative-adaptive perspective on stepfamilies (Jennings et al., 2018).

Unit of analysis

There are only a handful of papers discussing specifically **PM and PA** in the literature review (Amba-Rao et al., 2000; Haslan et al., 2019; Sieger et al., 2011; van der Merwe, 2009). Only two papers are focusing on PM and providing some empirical evidence about performance management practices at family firms (Haslan et al., 2019; van der Merwe, 2009). The majority of the articles discuss PM indirectly and partly included in the broader field, such as **HRM** (Barnett & Kellermanns, 2006; Combs et al., 2018; Cruz et al., 2011; Daspit et al., 2018; Firfiray et al., 2018; Gatfield & Youseff, 2001; Hoon et al., 2019; Jennings et al., 2018; R. E. Kidwell et al., 2018; Madison et al., 2018; Steijvers et al., 2017; Yujie Cai & Mingtian Yu, 2013) **or high-performance work systems** (hereinafter HPWSs) (Pittino et al., 2016), or **High Involvement HR practices** (hereinafter HIHRPs) (Mustafa et al., 2018). I also included three articles with the main focus on **compensation and performance-based payments** (Kotlar & Sieger, 2019; Memili et al., 2013; Samara et al., 2019) since performance measurement is a

prerequisite for performance-based payments. So the findings of these papers may also be relevant for the topic.

Stakeholders

The papers discuss different groups of stakeholders as subjects of their analysis: ***family employees*** (Eddleston et al., 2018; R. Kidwell et al., 2012; van der Merwe, 2009; van der Merwe et al., 2012), ***nonfamily employees*** (Barnett & Kellermanns, 2006; Haslan et al., 2019; Mustafa et al., 2018; Sieger et al., 2011; Tabor et al., 2018) or ***nonfamily managers*** particularly (Barnett et al., 2012; Kotlar & Sieger, 2019; Memili et al., 2013); ***family and nonfamily CEOs*** (Eddleston et al., 2018; R. Kidwell et al., 2012; Pittino et al., 2016; Steijvers et al., 2017). Some papers focus on ***both family and nonfamily employees*** (Daspit et al., 2018; Jennings et al., 2018; Lubatkin, Ling, et al., 2007; Madison et al., 2018; Neckebrouck et al., 2018; Pittino et al., 2016; Samara et al., 2019; Samara & Arenas, 2017; Samara & Paul, 2019; Steijvers et al., 2017; Yujie Cai & Mingtian Yu, 2013).

Cultural context

Samara et al. (2019) pointed out the importance of the relationship between the cultural embeddedness of bifurcated compensation practices. The authors draw on two cultural dimensions: individualism/collectivism and power distance (Hofstede, 1984). That is also in line with other cross-cultural studies about the difference between individualist and collectivist cultures related to the preferred application of different distribution principles (Ramamoorthy & Flood, 2002). However, the result of the systematic literature review shows that we have limited knowledge and understanding of the effect of the different national culture contexts on HR practices at family firms. Qualitative studies are interestingly conducted in Asian cultural context (Haslan et al., 2019; Mustafa et al., 2018; Yujie Cai & Mingtian Yu, 2013), while the majority of quantitative data generated from family firms operating in the US (Eddleston et al., 2018; R. Kidwell et al., 2012; Madison et al., 2018; Memili et al., 2013) or Western European countries (Kotlar & Sieger, 2019; Neckebrouck et al., 2018; Sieger et al., 2011; Steijvers et al., 2017). The other third of the quantitative data comes from Austria-Hungary (Pittino et al., 2016), South Africa (van der Merwe, 2009; van der Merwe et al., 2012), and India (Amba-Rao et al., 2000). Thus, the study of Pittino et al. (2016) is the only evidence related to my topic in Central and Eastern Europe.

3.3. Content analysis

Below first, I present the theories that emerged in the articles that frame the relationship between the family business and HRM (Chapter 3.3.1). Second, I provide an overview about the main topics of HRM in family businesses literature emphasizing the two distinct employment groups (family and nonfamily employees), the two central HR systems (compensation incentive and performance management system), the two main characteristics of HRM (formalization, bifurcation bias) and the presence of family influence on perceived justice of HRM based on the model of Barnett and Kellermanns (2006) (Chapter 3.3.2).

By applying the framework of Barnett and Kellermanns (2006), I structure my content analysis based on the following dimensions: Family Influence on Performance management (Chapter 3.3.3), the effect of Performance Management on perceived justice (Chapter 3.3.4), and the effect of family Influence on Perceived justice of PM (Chapter 3.3.5).

Finally, I pinpoint the possible research gaps that emerged from the literature (Chapter 3.3.6), and I introduce my conceptual framework with my propositions (Chapter 3.3.7).

3.3.1. Theoretical background

The theoretical foundation of Human Resource Management in Family Businesses is stemmed from **Transactional Cost Economics** (hereinafter TCE). Transaction cost economics is a fundamental paradigm in management and organizational studies (Hill, 1990). Transaction cost economics suggests that the optimum organizational structure can achieve economic efficiency by minimizing the costs of exchange. Transaction causes coordination costs of monitoring, controlling, and managing transactions (Williamson, 1979).

TCE has four main assumptions: asset specificity, opportunism, bounded rationality (Williamson, 1996), and bounded reliability (Verbeke & Greidanus, 2009). Asset specificity refers to particular assets, involved in a transaction, which is challenging to be redistributed elsewhere without substantial loss of economic value. *Asset specificity* includes physical, organizational, and human assets. *Bounded rationality* means decision-makers have a limited capacity to be rational and process information, address complexity, and make optimal choices. *Opportunism* describes that economic actors are prone to pursue their self-interest in opportunistic and mendacious ways. *Bounded reliability* suggests that decision-makers are more likely to experience benevolent preference reversals and identity-based discordances, limiting their ability to comply with initial promises over time (Kotlar & Sieger, 2019; Verbeke & Greidanus, 2009).

Family-based human asset specificity refers to a unique employee base of family businesses that then cause unusual employment contracting as compared to typical contracts between the family business and its non-family employees or between a nonfamily business and its employees (Verbeke & Kano, 2012).

However, the quantity and quality of family firms' resource base may be suboptimal. Thus, family firms have three options to address the above challenges:

- 1) Focusing on increasing the family resulting in more options in quantity terms, which means that more family members can take specific tasks for the family business.
- 2) Investing in the business-related professional education of family members, resulting in better quality instilled in family-based human assets.
- 3) Professionalization of the firm by hiring and delegating more authority to nonfamily managers (Chua et al., 2003). Professionalization can reduce the limitations of family-based human asset specificity in terms of quality and quantity of firm resources. (Verbeke & Kano, 2012)

Professionalization consists of two main components. Firstly, when an organization increase in size and activities, new employees and managers need to be hired, including non-family managers and employees. Secondly, family firms may also professionalize by incorporating formalized human resources practices.

The basis for HR professionalization as a governance mechanism is rooted in **agency theory**, which suggests that managers will follow self-interested goals rather than the owner's goals if their behavior is not monitored. In agency theory, an agency relationship is defined as a "contract under which one or more persons (the principal(s)) engage another person (the agent)

to perform some service on their behalf which involves delegating some decision making authority to the agent” (Jensen & Meckling, 1976, p. 308). When both parties are utility maximizers, agents will not always act in the best interests of the principal. In order to limit these divergences, the principal can use incentives for the agent, or he/she can expect an increase in monitoring costs designed to restrict the aberrant behaviors of the agent (Jensen & Meckling, 1976).

A moral hazard appears when it is difficult or costly for owners to observe or assume the amount of effort exerted by managers. To meet objectives set by the owner, managers might feel compelled to make an additional effort, which they might consider inequitable compared to the level of compensation and responsibility. These opposing interests give employees inevitable temptation and incentives to exploit the company’s resources. They take “extra” time off, seek other perquisites, withhold effort (e.g., shirk and free-ride) and information to obtain, which they believe to be appropriate compensation for the extra effort and risk that the owner expects them to take perquisites (Lubatkin, Ling, et al., 2007). Agency theory suggests that moral hazards should be either avoided or mitigated by governance mechanisms, such as contracting, monitoring, or an incentive system (Eisenhardt, 1989). The costs and the loss of welfare to the owner that appear due to delegation of responsibility are called the *principal-agent agency costs*.

The agency theory explains the competitiveness of family firms because of the lower agency costs in governance. This argument is grounded in two assumptions: first, in the case of owner-manager family firms, owners are also managers, which means that the interest of owners (principles) and managers (agents) are aligned. The principle-agent agency cost (i.e., incentives and monitoring costs) are irrelevant. Second, even when owners and managers are not the same people but family members fill in both ownership and management positions, the interests are still aligned because of the high level of trust, benevolence, and information exchange among family members. That makes monitoring and incentive systems mainly irrelevant (Zellweger, 2017b). If the first assumption is not met, a family firm faces the original principle-agent problem like its nonfamily counterpart. If the second assumption is not met, a family firm has to deal with the “*principle-principle*” problem. Chrisman et al. (2007) proved that family firm performance increases when family managers are monitored, which suggests that family managers' behaviors may also be a result of self-interest in spite of the fact that they are part of the family.

The alignment of goals and incentives in the field of performance management, together with the compensation systems, were studied mainly through the lens of agency theory as a dominant paradigm underlying most governance research. Scholars argued that interest divergence could be managed either by a well-established governance controlling structure upon the agent or through a compensation system based on a performance appraisal system (Jensen & Meckling, 1976).

However, the assumption about the opposing interests between the principal and the agent may not be applied to all managers. Furthermore, the presence of kin relationships limits moral hazard among family members by reducing goal divergence and information asymmetry. From an HRM perspective, this suggests that the design of costly mechanisms to monitor and motivate employees and managers is redundant or even damaging to family firms’ performance (Cruz et al., 2011).

In response to that, the *stewardship theory* argues that managers, as stewards of the family firm, will act in the best interests of the principals. Their motivation is based not on self-interest but it is rather intrinsic. They feel satisfaction if they can contribute to organizational goals by

performing their task effectively, and thus they achieve recognition from their coworkers and superiors (Donaldson & Davis, 1991).

In summary, while both agency theory and stewardship theory examine the extent of family presence, i.e., under what conditions and to what extent the family effect occurs, the difference between the two theories is that they are rooted in two different assumptions about human nature. While principal-agent theory builds on people's profit maximization and strengthens the control function to maintain efficiency, stewardship theory assumes that family members are driven by goodwill and put the interests of the family business before their own. (Gnan et al., 2015)

These two distinct viewpoints of human nature will be imprinted on the design and implementation of HR practices related to performance and performance-related reward systems as well. That can include decisions on paying market versus below-market rates, a portion of fix and variable payments, providing long- or short-term payments, monetary rewards involving cash or benefit payments or nonmonetary rewards of an intangible nature, such as employment security, recognition, increased responsibility; applying equity versus non-equity-based incentives (Cruz et al., 2011).

3.3.2. HRM in family businesses

The traditional conceptualization of family business professionalization was defined as “hiring full-time, non-family employees, particularly with the delegation of managerial authority” (Stewart & Hitt, 2012, p. 59). However, the multidimensional perspective of professionalization broadens the previous concept. It includes the addition of more formalized systems, such as financial control systems, governance systems, and human resource control systems (Dekker et al., 2015; Madison et al., 2018). Dekker et al. (2015) discuss five dimensions of the professionalization of human resource control systems, such as compensation incentive systems, performance appraisal systems, formal recruitment systems, formal training systems, and formally scheduled staff meetings. While Maddison et al. (2018) consider three main criteria, such as 1) nonfamily employees or managers work at the family firm (i.e., recruiting and selection) and 2) compensation incentive system and 3) performance appraisal system in place since bifurcation bias would not exist theoretically without these practices (Madison et al., 2018; Verbeke & Kano, 2012). By following the conceptualization applied by Madison et al. (2018) I discuss the characteristics of 1) family employees and non-family employees; 2) compensation incentive system; 3) performance appraisal system; 4) formalization, and 5) bifurcation bias to explain different ways families can shape HRM and how HRM, in turn, can influence family firms' key outcomes.

3.3.2.1. Family employees and nonfamily employees

As mentioned, professionalization leads to two employment groups: family and nonfamily employees at family businesses (Cruz et al., 2011). Family and nonfamily employees are HR recipients whose perceptions and responses to HR practices play a crucial role in understanding HR practices. (Combs et al., 2018; Gagné et al., 2014; Hoon et al., 2019).

Based on the model of Tagiuri and Davis (1996), the systemic nature of the family businesses may lead to difficulties in the application of any distributive justice rule since family and nonfamily employees are likely to assess the fairness of particular outcomes with very different criteria. Whereas families and their members tend to allocate resources based on need, nonfamily managers and employees tend to allocate firm resources based on merit and performance. Furthermore, there are different distributional norms, not just between family and

nonfamily employees, but among family employees. Thus, it is challenging for the different stakeholder groups to reach an agreement on an entirely fair distributional outcome in family firms. That can cause many conflicts and disagreements, which are naturally built in the family business system (Van der Heyden et al., 2005).

Additionally, Cruz et al. (2011) propose that because family-owned firms use Socio-Emotional Wealth (SEW) as a frame of reference, they may have poorer perceptions of all three justice dimensions among family and nonfamily employees mainly because of the negative effect of family altruism.

However, Lubatkin et al. (2007) argue that those non-family employees, who willingly work for family-owned firms, somewhat possess different distributive justice expectations than those who work for nonfamily firms. Thereby, nonfamily employees do not expect to be treated as family members in allocating resources, promotions, and other perquisites. That indicates that family businesses are more likely to attract those nonfamily employees who are motivated by non-economic rewards, such as job security and an informal work environment.

Tabor et al. (2018) also highlighted those ambitious individuals, who value flexibility, change, and career opportunities tend to choose nonfamily firms. In contrast, more socially oriented individuals who prefer more security, stability, and a family-like work environment may be attracted to family firms (Chrisman et al., 2017). However, Tabor et al. (2018) also underlined that even family bias had been a central topic of nonfamily member literature. It is not clear, yet, whether family bias or injustice is a concern that family firms address during employment (e.g., socialization) or their hiring practices that enable them to employ non-family members who tolerate family bias more. Lubatkin et al. (2007) argued that nonfamily members have a zone of indifference toward the preferential treatment of family members. However, there is little known about the size of this zone or how it is formed, changed, or managed.

3.3.2.2. Compensation incentive system

Tabor et al. (2018b) pinpoint that compensation receives significant attention due to the dominance of agency theory in the nonfamily literature. Scholars argue that conflicts of interest between family owners and non-family employees can be managed through compensation, and compensation is also one of the main determinants of job satisfaction. Some studies suggest that an increase in nonfamily incentive compensation benefits family firms more than nonfamily firms. That is not just because of the increased motivation, but also because it shows that the family firm is committed to improving firm performance and good governance (Chrisman et al., 2017; Jaskiewicz et al., 2017).

Importance of Socio-Emotional Wealth (hereinafter SEW) preservation suggests that the firm aspires for other nonfinancial goals and gives them a high priority. Consequently, the reward system will vary a lot depending on what kind of frame of reference the family firm applies. Cruz et al. (2011) propose that because family businesses are more likely to use SEW as the frame of reference and they tend to adopt a below-market pay policy or, at best, “a matching market” pay policy. They may place a greater emphasis on nonmonetary rewards and internal equity (versus external market equity) in the design of compensation contracts. This is also in line with an argument of Lubatkin et al. (2007), that is that those non-family employees, who willingly work for family-owned firms, possess different distributive justice expectations than those who work for their non-family counterparts. Memili et al. (2013) examined how the level of family involvement reduces the propensity to use incentives based on some sort of PA practices to nonfamily managers in small to medium-sized (SME) family firms in the US. Their results underlined that family influence, control, and intra-family succession intentions are negatively related to the propensity to use incentives, such as bonus and profit sharing for nonfamily managers. Furthermore, the interaction effects of family management and ownership

diminishes the propensity to use incentives. Despite their potential economic benefits, family involvement decreases the probability that incentives will be offered to nonfamily managers because such incentives are perceived to be inconsistent with the preservation of the family's SEW.

Cruz et al. (2011) also proposed that family businesses will incline to place a lower emphasis on variable (versus fixed) payment, which is strongly related to performance measures. The reason behind this is that family business owners tend to shield family members' payments from poor performance. Furthermore, the owners also tend to believe in the ability of family employees to work in the interest of the company, so accountability for past performance, which may result from factors beyond their control, may not be that important for them. However, Tabor et al. (2018b) provide a more nuanced view. According to them, a nonfamily employee of small family businesses tends to be paid less than employees of their non-family counterparts. While medium- or large-sized family firms, which are professionally managed, pay employees the same as nonfamily firms. Although they tend to do so by offering higher incentive pay, lower base pays as the degree of professionalization rises (Memili et al., 2013; Tabor et al., 2018). That indicates that performance management and appraisal systems play a more significant role at a later stage of the family firm's professionalization.

3.3.2.3. Performance management and appraisal system

Cruz et al. (2011) propose that because family-owned firms apply SEW, they are less likely to use formal appraisal systems, and they will tend to place a greater emphasis on applying qualitative measures for assessing performance because of three reasons. Firstly, the culture of family firms is based on trust and rooted in the positive norms of reciprocity. For family firms, the employment contract is to reciprocate the employees for their loyalty, protect their interests, and refrain from the use of fear of losing their jobs. Thereby, family firms will not favor those performance appraisal practices, which are focusing on the accountability of past performances and extrinsic controls based on quantitative measures both to identify and dismiss poor performers and to retain and reward good performers.

Secondly, family businesses that try to demonstrate altruistic behaviors toward family employees have a tendency to protect their kinship from the disapproval related to inadequate performance.

Thirdly, family businesses tend to reward people for only being a family member or a close and loyal employee in order to preserve SEW. It can also mean that the performance of a family CEO or manager may also be evaluated based on the fulfillment of family obligations as well. Finally, according to Cruz et al. (2011), implementing a formal appraisal system could mean that the shortcomings of family and ingroup employees would be exposed. Thereby, it is a possibility that family businesses are apt to use formal practices less consistently than their nonfamily counterpart that can lead to a perception of injustice among employees.

Regarding contextual factors other than size, Cruz et al. (2011) suggest that family businesses are more likely to compromise on the use of SEW as a determinant criterion for adopting HR practices under three conditions, such as in case of poor performance, generational change, or facing a main competitive threat. Controversially, when the family influence decreases, nonfamily investors are likely to initiate to implement more performance-oriented and formal HR practices, such as performance appraisal and compensation systems.

Kotlar and Sieger (2019) applied transaction cost economics to describe the individual-level entrepreneurial behavior of family and nonfamily managers in family firms. They conclude that nonfamily managers exhibit lower entrepreneurial behavior than family managers, especially after the founder leaves the business. They proposed six factors through which family firms can facilitate nonfamily managers' entrepreneurial behavior. These factors include monitoring, distributive justice, access to the top management, and job control perceptions and incentives,

such as share ownership and performance-based pay. Kotlar and Sieger (2019) argue that nonfamily managers may possess a lower ability and willingness to engage in entrepreneurial behavior in contrast to family managers because of bounded rationality and bounded reliability. The authors admitted that performance-based pay might provide financial incentives for nonfamily managers to behave in ways that improve organizational performance. However, they could not guarantee that nonfamily managers will completely understand the complexity of the diversity of family business goals and maintain their commitment to them since these goals are often intangible, difficult to assess, and constantly changing over time (Kotlar & Sieger, 2019). This finding also shows that it may be better to focus on the performance appraisal system since it can foster goal alignment more efficiently than a compensation system itself.

3.3.2.4. Formalization

There is a debate among scholars about whether family firms benefit from formalization when hiring non-family employees (Tabor et al., 2018).

Based on agency theory, there is a sound argument that firm owners and nonfamily employees may have conflicts of interest because of divergent goals, and that is even intensified if there is a lack of formal structures to adequately monitor employees and reward performance equitably (Chua et al., 2009). However, family firms often fail to establish formalized governance structures, even when nonfamily employees are already hired. The only exception is when a family firm aims to do professionalization to improve its financial management by hiring a nonfamily CFO (Tabor et al., 2018).

Even Madison et al. (2018) indicated that becoming more formalized and bureaucratic helps the inclusion of nonfamily members and improves firm performance. However, other studies suggest that family firms may choose not to formalize because of its potential costs.

Firstly, studies argue that formalization depends on family firm circumstances. For example, small and medium-sized firms (de Kok et al., 2006) or family businesses operating in industries where monitoring is more difficult (Fang et al., 2017) or in countries with weak legal structures (Lien & Li, 2014) are less likely to employ non-family managers (Tabor et al., 2018). In line with this, Haslan et al. (2019) also found that a China-based family-SME applied both informal and formal PM practices to manage their nonfamily employees' performance.

Secondly, it is possible that nonfamily members will also need less monitoring than is generally assumed. Family influence can be seen as a source of informal HRM practices that are committed in the social exchange process. The study of SMEs operating in Austria and Hungary provides indirect evidence that the pursuit of socioemotional goals at the family level fosters the quality of the social exchange with nonfamily employees. That means that family-owned businesses are more likely to create a more robust reciprocal stewardship culture compared to their non-family counterparts (Pittino et al., 2016). Nonfamily managers may have pro-organizational behavior, and their goals are not as divergent from the family firm owner's goals. They may also prefer less formal and bureaucratic structures that family firms can provide. Ironically, in the large-scale survey with responses of family SMEs, Steijvers et al. (2017) pinpointed that family firms with a family CEO have more formal HR practices than those managed by a nonfamily CEO owing to higher levels of goal alignment and intentional trust between the owning family and family CEO. Furthermore, family businesses managed by first-generation family CEOs and family CEOs with a higher education implemented more formal HR practices. The findings indicate that family CEOs can be equally or even more able as nonfamily CEOs to run a family firm in a formalized and professionalized way.

Family firms also tend to hire trusted nonfamily employees from their social network, which may mitigate the assumed conflicts of interest among the participants (Tabor et al., 2018). Thus, in line with the theory of person-organization fit (Memili & Barnett, 2008), family businesses

attract employees whose motivational profile is consistent with the culture and the value system of the family firm (Pittino et al., 2016).

Finally, Stewart and Hitt (2012) proposed that it is possible that family firms may choose to live with conflicts of interest rather than formalize their governance because of the negative impact formalization might have on their organizational culture.

3.3.2.5. Bifurcation bias

Bifurcation bias can be seen as an effect of family firm professionalization.

Professionalization constructs two separate classes of employees, such as family vs. nonfamily, that may result in potential asymmetries in each group of employees' treatment by the family firm, as well as in each group's perceptions of the leadership.

Bifurcation bias is categorized as an "affect heuristic" in the applied psychology literature. According to Verbeke and Kano (2012), dysfunctionality appears when this affect heuristic develops in management practices and family firms as their standard practice uses asymmetric treatment. In this case, "*family employees are treated by default as highly valuable, firm-specific assets and as loyal stewards with a long-term commitment to the family business, while nonfamily employees are dealt with as easily substitutable, commodity-like, short-term assets, and as self-serving agents who ultimately remain "outsiders" even if used/internalized temporarily by the firm*" (Verbeke & Kano, 2012, p. 1189). Bifurcation bias occurs when this kind of unequal treatment is economically inefficient for the family firm, and it remains uncorrected in the long run. Based on this, Verbeke and Kano (2012) defined **bifurcation bias** as the asymmetric treatment of family and nonfamily employees within the family firm that manifests through organizational-level managerial practices – particularly within HR practices systematically and by default. A family business is viewed as unbiased if it applies a visible and consistent effort toward unbiased practices throughout the organization. However, the presence or absence of bifurcation bias may not be absolute, but rather a matter of degree, and most probably, family businesses are on a continuum from biased to bias-free.

In HR practices, bifurcation bias can manifest itself, particularly in performance appraisal systems, compensation systems, and recruitment and promotion (Verbeke & Kano, 2012).

Verbeke and Greidanus (2009) pinpointed mechanisms for economizing on bounded reliability, such as setting realistic goals, reviewing these goals frequently and developing clear guidelines, planning strategy jointly by participating parties, etc., that is the basis of the family firms' performance management and appraisal system.

According to Verbeke and Kano (2012), asymmetric altruism and family members' unwillingness to monitor and assess each other's performances lead to biased performance monitoring. The absence of proper accountability mechanisms increases both bounded rationality problems and bounded reliability challenges.

If a family employee is inclined to shirk, he/she may tend to take advantage of an inappropriate functioning of the monitoring system by engaging in free-riding behavior. On the other hand, a nonfamily employee may withdraw his/her effort as a result of perceived unfairness during performance appraisal. Even if we assume that every family and nonfamily employee acts as a loyal steward while possessing all the competencies necessary to perform their duties, Verbeke and Kano (2012) argue that effective monitoring systems are inevitable because of bounded rationality and bounded reliability still can occur. Since additional knowledge and experience may sometimes be required because of an unexpected event (bounded rationality), or and even well-meaning stewards may act in a way that is not the most beneficial to the firm due to benevolent preference reversal (bounded reliability).

All in all, Verbeke and Kano (2012) proposed that the bifurcation bias affects the family firm's ability to economize on both bounded rationality and bounded reliability and, therefore, decreases its performance and weakens its competitiveness. If family firms are free of

bifurcation bias, they will be more able to grow and prosper while sustaining their family governance structure for the long term. Neckebrouck et al. (2018) also found that equal monitoring of family and nonfamily employees enhances the relationship between HR professionalization and family firm performance, whereas bifurcated monitoring diminishes the relationship. Moreover, harmful family influence on employment practices increases with both firm age and with heightened family involvement (Neckebrouck et al., 2018).

Madison et al. (2018) also confirmed the above proposition of Verbeke and Kano (2012). Madison et al. (2018) conducted a primary survey and collected data from CEOs of 123 private family firms. Their focus was on the relationship between HR professionalization and family firm performance and how bifurcation bias can affect the relationship between them.

Madison et al. (2018) suggested that the success of HR professionalization depends on how family and nonfamily employees are treated within the family business. They found that when bifurcation bias occurs in these three leading HR practices, the financial benefits of HR professionalization were reduced because of a perceived inequity of treatment within the firm. Their results support the positive relationship between HR professionalization and the financial performance of the firm. Moreover, they argue that while bifurcated monitoring of family and nonfamily employees diminishes the professionalization-performance relationship, equal monitoring strengthens the relationship. Madison et al. (2018) highlighted that HR professionalization and bifurcation bias serve as unique sources of heterogeneity in family firms. The study of Madison et al. (2018) is the first empirical investigation of bifurcation bias, which not only validates its existence but provides more understanding of the heterogeneity across family firms.

However, there are some limitations to Madison et al. (2018)'s study. Firstly, the analysis fails to take into account the phenomenon of "reversed causality" (den Hartog et al., 2004), which means that organizational success (such as profitability) could increase the willingness of the management to invest in formalized HR practices rather than vice versa. Large firm performance can also affect employees' commitment, trust, and motivation as much as the other way around. Secondly, in the study, the analysis was focused on the firm level; however, the supporting arguments suggest that bifurcation bias may affect the organizational justice perceptions of both family and nonfamily employees. Thus, the authors highlight that it is necessary for future research to empirically investigate the effects of bifurcation bias in multi-level models or across different levels of analysis. That would require data from not just a single informant but multiple informants as well, preferably from both family and nonfamily employees, to understand their actual justice perceptions of their work environment.

Finally, even the study also proved that family firms with bifurcated practices favoring nonfamily employees exist. The authors did not examine the direction of the bias to gain more insight into why and how bifurcated biases favoring nonfamily employees manifest.

3.3.2.6. Family influence on perceived justice of HRM

In their conceptual model, Barnett and Kellermanns (2006) applied three different levels of family influence (e.g., dormant, facilitating, and restrictive) in order to examine how the level of family influence affects HR practices and nonfamily employees' justice perceptions in a family firm. The authors referred to three descriptive levels of family influence, depending on whether how many interactions occur between family and business systems. *Dormant family influence* (DFI) is defined as a low level of family influence in the family business when there are only a few interactions. *Facilitating family influence* (FFI) is defined as a moderate or moderately high level of family influence in the family business. *Restrictive family influence* (RFI) is defined as high or excessive levels of family influence in the family business.

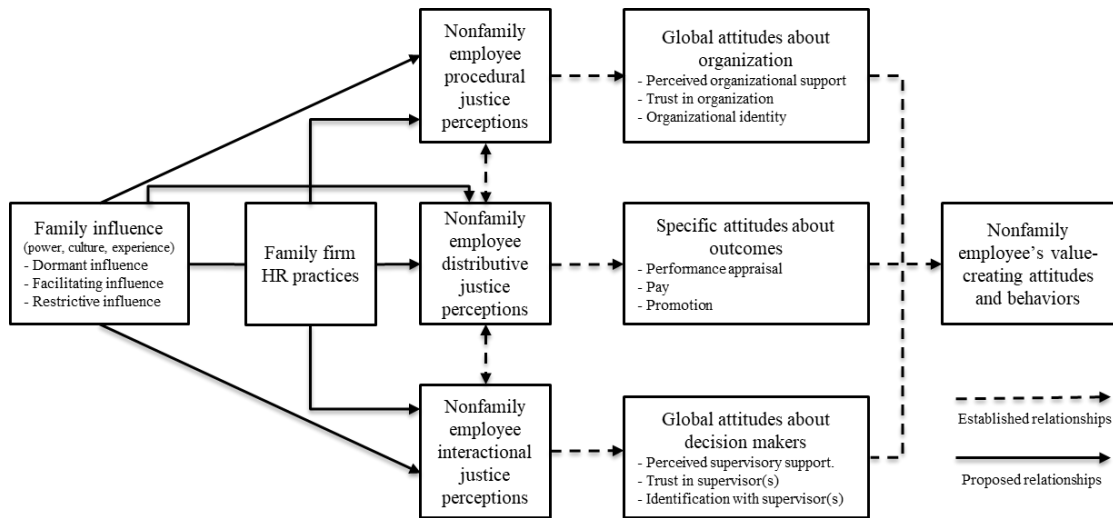
Barnett and Kellermanns (2006) argue that the level of family influence affects nonfamily employees' justice perceptions in family businesses. They suggest that high levels of family influence may lead to unfair HR practices, while moderate levels of family influence may lead to fair HR practices. In the case of low levels of family influence, neither fair nor unfair HR practices can be predicted. The authors contend the involvement of the family in the business may affect the non-family employees' perceptions of justice directly, but its effect may be largely mediated by family firms' HR practices. They also highlight that HR practices directly have an impact on the justice perceptions of nonfamily employees (Barnett & Kellermanns, 2006). That is in line with the HRM literature, which focuses on the employees as a whole (Erdogan, 2002).

The conceptual model of justice in family firms of Barnett and Kellermanns (2006) is the first that integrates theories of justice and considers them in the family context. In their conceptual article, the authors discuss nonfamily employees' justice perceptions based on fairness theory (Folger & Cropanzano, 2001) and fairness heuristic theory (Lind, 2001). From the fairness theory perspective, nonfamily employees in family firms suffer from bias, a lack of consistency, and inadequate explanations for why HR practices may favor family over non-family employees. That is more likely to cause the "would" judgments proposed by fairness theory. Furthermore, since members of the dominant coalition are probably family members, nonfamily employees are most likely to put the blame on the family member(s), coming to the conclusion that outcomes and processes "could" have been fairer. Finally, nonfamily employees probably come to the conclusion that the problems of nepotism, bias, and adverse selection disregard their own moral values and that is why decision makers "should" have acted otherwise in case of the implementation of HR practices.

From the fairness heuristic theory perspective, nonfamily employees have to deal with a complex and uncertain situation within the family business since they are part of the business, but they do not belong to the family system. That can lead to strong "ingroup-outgroup" perceptions, where nonfamily employees can compare their treatment about HR policies and procedures with family employees in the "ingroup." Nonfamily employees' uncertainty about their status and identity probably makes them questioning the trustworthiness of the family firm and their family managers to implement HR processes and practices that are free from bias and favoritism. (Barnett & Kellermanns, 2006)

Figure 12 exhibits the relationships among family influence, HR practices, justice perceptions, and the employee's value-creating behaviors regarding non-family employees. Solid arrows show the relationships proposed by Barnett and Kellermanns (2006), while the dotted arrows show the relationships already established in the organizational justice literature.

Figure 12 - Justice Perception of Nonfamily Employees



Source: (Barnett & Kellermanns, 2006, p. 841)

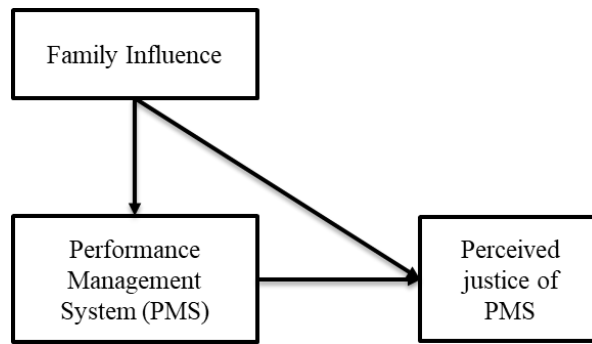
The key contribution of this study is that this was the first conceptual paper, which explicitly considered the role of family influence as a critical antecedent of the fairness of family firms' HR practices. At that time, little research has been focused on non-family employees, generally, and their justice perceptions especially. Barnett and Kellermanns (2006) argued that their study for practitioners implies that the dominant coalition may have the possibility to manage the level of family involvement in order to foster HR practices, which are perceived as fair.

The limitation of the concept is that it only focuses on nonfamily employees and does not consider other contingency variables, such as national culture, family firm size, industry, which may have a significant impact on the perceived justice of HR practices (Ikramullah et al., 2016).

Based on a systematic literature review Barnett and Kellermanns (2006) were the first scholars who described the relationship among family influence, perceived justice, and HRM practices. Barnett and Kellermanns (2006) suggested that the level of family influence impacts the justice perceptions of nonfamily employees, mainly through its effect on human resource practices. According to the high levels of family, influence tends to lead to unfair HR practices, while moderate levels of family influence tend to lead to fair HR practices. In the case of low levels of family influence, neither fair nor unfair HR practices can be predicted.

I argue that their modified model can be used not only for HRM but for its subsystems, such as PM as well, including both family and nonfamily employees. According to this, my thinking model is drawn below in Figure 13.

Figure 13 - PMS effects on the perceived justice at family businesses



In the following chapters, I describe family influence, the effect of family influence on perceived justice of PM, and the effect of Family Influence on PM.

3.3.3. Family Influence on Performance management

Kidwell et al. (2018) highlighted that the imprinting mechanism might play a primary role in the case of family influence on Performance Management. In the systematic review of imprinting research, Simsek et al. (2015) suggested a framework in which three processes form an imprint: “(a) *genesis*, whereby the characteristics of the imprinters (the sources of imprints) and the imprinted (the target entity that bears an imprint) interact in ways that culminate in the formation of an imprint;

(b) *metamorphosis*, the evolutionary processes or dynamics by which imprints persist, amplify, decay, and/or transform; and

(c) *manifestations*, the influence of the imprint on entity characteristics, and the direct and indirect effects of the imprint on entity survival and performance” (Simsek et al., 2015, p. 289).

That means that an imprint of a family morphing into an element of the organizational culture may be manifested in HRM. Accordingly, first, I discuss the possible source of imprints (see in Chapter 3.3.3.1). Second, I review the way how these sources of imprints may be manifest in performance management systems (see in Chapter 3.3.3.2).

3.3.3.1. Source of Family Influence

Concerning the relationship between family influence and HRM, there are several conceptual studies published recently about the family influence on HRM at family firms in general (Barnett et al., 2012; Barnett & Kellermanns, 2006; Combs et al., 2018; Cruz et al., 2011; Daspit et al., 2018; Firfiray et al., 2018; Hoon et al., 2019; Jennings et al., 2018; R. Kidwell et al., 2012; R. E. Kidwell et al., 2013, 2018). As a result, family business researchers could identify several sources of family influence, such as level of family involvement (Barnett & Kellermanns, 2006); weak” and “strong” family vision (Barnett et al., 2012); nepotism (Firfiray et al., 2018); entitlement (R. E. Kidwell et al., 2018), injustice based on different distribution norms (Van der Heyden et al., 2005) parental altruism (R. E. Kidwell et al., 2013, 2013; Lubatkin, Ling, et al., 2007); parent-child relationship (R. E. Kidwell et al., 2013); flexibility and cohesion of family (Daspit et al., 2018); boundary permeability of family owners (Jennings et al., 2018); controlling owners’ self-control (Lubatkin, Ling, et al., 2007) and biological discrimination of the family owners (Jennings et al., 2018); Fredo effect (R. Kidwell et al.,

2012; R. E. Kidwell et al., 2013). In the following, I discuss the different sources of family influence in detail.

Level of family involvement

In their conceptual model, Barnett and Kellermanns (2006) identified three different levels of family influence, such as dormant, facilitating, and restrictive, in order to examine how the level of family influence affects HR practices and nonfamily employees' justice perceptions in a family firm. The authors referred to three descriptive levels of family influence, depending on whether how many interactions occur between the family and the business systems. *Dormant family influence* (DFI) is defined as a low level of family influence in the family business when there are only a few interactions. *Facilitating family influence* (FFI) is defined as a moderate or moderately high level of family influence in the family business. *Restrictive family influence* (RFI) is defined as high or excessive levels of family influence in the family business.

Family vision

Barnett, Long, and Marler (2012) suggest two poles of the continuum of family influence, "weak" and "strong" family vision, in their conceptual work. The "weak family vision" defines a family firm whose dominant coalition does not have intentions for transgenerational sustainability, and that is not described by the commitment to the values, goals, and policies. In contrast, the "strong family vision" is captured as a family firm whose dominant coalition does possess both strong intentions and commitment.

Nepotism

Nepotism can be defined as an owner's or leader's preferential treatment of family members within an employment context by providing them positions based on kinship ties rather than merit or their abilities and skills abilities (Firfiray et al., 2018; Jaskiewicz et al., 2013).

There are two types of nepotism based on how nepots are chosen: reciprocal and entitlement nepotism (Jaskiewicz et al., 2013).

Reciprocal nepotism refers to three family conditions, such as interdependence, previous interactions, and norms that support obligations toward family members and lead to generalized trust-based exchanges that aim to strengthen the relationship between family members. Reciprocal nepotism could be a valuable resource in contexts where tacit knowledge is essential for the family business (Jaskiewicz et al., 2013).

On the contrary, ***entitlement nepotism*** occurs without any consideration of family conditions. It may lead to restricted social exchanges among family members in family firms and thus disregard potential benefits associated with kinship ties (Jaskiewicz et al., 2013). In other words, it refers to familial altruism and can result in short-term focused family exchanges that may destabilize the family relationships as well (Long & Mathews, 2011).

Some families are more likely to engage in nepotism than others. However, the drivers of nepotism are still uncertain (Jaskiewicz et al., 2013). However, Firfiray et al. (2018) suggest that nepotism occurs very often at family firms, where family employees are treated favorably compared with nonfamily employees in the case of human resources practices, including performance appraisal.

The consequences and the impact of nepotism on economic and non-economic goals are also very obscure. Regarding financial outcomes, family business researchers argue that there are both advantages and disadvantages of practicing nepotism. On the one hand, nepotism is associated with the employment of highly committed family talent and access to affordable family workforces. On the other hand, the preferential treatment of family members based on kinship rather than merit can increase the risk of damaging the long-term survival and economic viability of the family business (Firfiray et al., 2018). However, research evidence shows that there is an impact of nepotism not only on financial outcomes but on SEW as well. Some researchers argue that nepotism can foster SEW by strengthening family influence, supporting the transition of leadership onto the next generation. Others suggest the possible negative impacts of nepotism on family SEW, such as conflicts of interest between family members or between family members and other stakeholders, as well as identity conflicts and reputational concerns (Firfiray et al., 2018). Besides this, family owners often pursue socioemotional utilities at the expense of financial gains.

Entitlement

Entitlement can be defined as an employee's belief that he or she deserves benefits from the company based on the perception of contributions. Entitlements can be either positive or negative depending on whether they are based on fair contributions and aligned with business needs (Heath et al., 1993) or privileges that are not merited by performance (R. E. Kidwell et al., 2018).

Different distributional norms to judge fairness

According to Van der Heyden, Blondel, and Carlock (2005), entitlement is also rooted in the difficulty of any application of distributive justice to the family business system.

The systemic nature of the family businesses may lead to various opportunities for the perception of injustice because of the overlap of the family, business, and ownership subsystems. This so-called "injustice" effect is rooted in different distributional norms among the various stakeholders. Family, shareholders, and employees will assess the fairness of particular outcomes with very different criteria (Gagné et al., 2014). Whereas families and their members allocate resources based on need, shareholders of the family firm allocate resources based on equality. Furthermore, managers and employees are meant to allocate company resources based on merit and performance. Thus, it is complicated for the different stakeholder groups to reach an agreement on an entirely fair distributional outcome in family firms. That can cause many conflicts and disagreements, which are naturally built in the family business system.

Parental altruism

Agency theory draws an overly optimistic view of the family influence on family firms. However, Schulze and his colleague (Lubatkin et al., 2005; Schulze et al., 2001, 2002, 2003) replaced this overly optimistic view with an overly negative one suggesting that parental altruism, which describes the governance of family businesses, can increase agency costs by making them vulnerable to moral hazards.

Parental altruism is defined as a characteristic or preference that is endogenous to a parent's character and frame as a utility function that positively connects the welfare of parents to the welfare of their children (Stark, 1995). Parental altruism is also self-reinforcing because it simultaneously satisfies both the parent's other-regarding and self-regarding interests (Lunati, 1997). Thus, parents are generous to their children not only because they love them but also

because they feel obliged to do so; and otherwise, that would hurt their welfare (Becker, 1981). On the positive side, altruism compels parents to take good care of their children. It can foster trust, mutual support, communication, and reciprocity, which can help to align interests. However, on the negative side, Schulze et al. argue that controlling owners can be vulnerable to parental altruism. This trait makes parents generous to their children even to the point of spoiling them by providing them as family employees perquisites, promotional opportunities, higher salaries, and other benefits, regardless of their individual contribution to the firm's performance. Parental altruism can bias perceptions of parents that their children are smart and work hard, that can also make parents evaluate their kin's performances and contributions accordingly. However, altruism does not just hinder parents' ability to effectively monitor and discipline their children (Lubatkin, Durand, et al., 2007). It can also encourage parents to limit any type of corrective action (Bernheim & Stark, 1988). Furthermore, family members, who benefit from parental altruism, might also feel entitled to the firm's resources and privileges, and thus, that gives them the incentive to engage in moral hazard and to free ride and shirk their duties (Lubatkin, Ling, et al., 2007).

Parent-child relationship

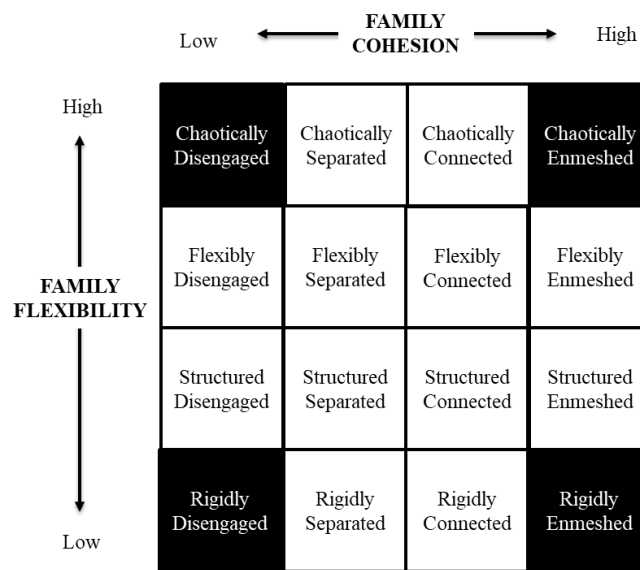
Kidwell et al. (2013) suggest that negative parent-child relationships may lead to dysfunctional behavior outcomes, such as the Fredo effect. Thus, based on main dimensions of support and control, the family psychologist authors identified four styles of parenting (Baumrind, 1967): authoritarian (low support, high control); authoritative (high support, high control); permissive (high support, low control); and neglectful (low support, low control). Studies suggest that permissive parenting is considered dysfunctional, and it is more likely to lead to the Fredo effect later when the child enters the family business (R. E. Kidwell et al., 2013). Parents have different relationships with each of their children, and they also treat them differently. These early family influences can also be imprinted on the firm later as the children become employees at the family firm.

Characteristics of family

Flexibility and cohesion

Daspit et al. (2018) apply the circumplex model (D. H. Olson et al., 1979) created as a tool for diagnosing and treating dysfunctional family relationships to grasp the flexibility and cohesion component of family influence. The model of Daspit et al. (2018) can be seen in Figure 14, which is an adaptation of Olson's (2000) conceptualization.

Figure 14 - Olson's Circumplex Model of Marital and Family Systems



Source: Model adapted from Olson (2000, p. 148) cited by Daspit et al. (2018, p. 20)

The circumplex theory emphasizes two critical dimensions of family behavior, such as cohesion and flexibility. Family cohesion refers to “emotional bonding that family members have towards one another” (D. H. Olson, 2000, p. 145), while family flexibility refers to the “amount of change in the (family’s) leadership, role relationships and relationship rules” (D. H. Olson, 2000, p. 147).

The circumplex model integrates these two dimensions to predict how family systems work and form in their interactions. The model suggests that a balanced level of both cohesion and flexibility offers for the most functional family system, while the extreme levels of both dimensions most likely lead to dysfunctional family systems.

There are four levels of family cohesion, which vary from disengaged (very low), separated (low to moderate), and connected (moderate to high) to enmeshed (very high) family systems. Disengaged family systems consist of highly independent family members who have insufficient or no attachment or commitment to the family. Family members tend to “do their own thing” without seeking support from each other (D. H. Olson, 2000, p. 147). In contrast, enmeshed family systems consist of highly dependent family members, who have too much consensus, insufficient independence, limited private time, external friends, or interests. Olson (2000) suggests that these extremes represent unbalanced family structures that can cause many problems for long-term family functioning. On the other hand, balanced family structures have moderate levels of separated or connected cohesion, with individuals, who are connected to, but also independent from, their families.

There are four levels of family flexibility, which vary from rigid (very low), flexible (low to moderate), and structured (moderate to high) to chaotic (very high) family systems. The dimension of flexibility represents how the family system is able to balance stability and change in family leadership and roles (Olson, 2000).

Rigid family systems are incredibly stable and characterized by the presence of a family leader who is highly controlling. Family members have strictly defined roles and limited negotiation ability. In contrast, chaotic family systems have limited or inconsistent leadership. Furthermore, their decision-making is impulsive, roles are not defined, and responsibility often shifts among members. On the other hand, balanced family structures have moderate levels of flexible or

structured flexibility with individuals, who work together in a democratic style, and roles are shared.

Boundary permeability

In their conceptual model, Jennings, Dempsey, and James (2018) also propose that HR practices are likely to design either “bivalent” or “no bifurcation” if the family owners collectively as a family have a more open than a closed view of the family's boundary (Jennings et al., 2018, p. 75).

Controlling owners' self-control

Lubatkin et al. (2007) pinpoint a contingent role played by *self-control of the controlling owners at family businesses* by examining what the differential effects of the controlling owners' self-control are on the justice perceptions of the family and nonfamily employees. By doing so, with an integrative view, the authors also offer a more realistic balance between the overly optimistic view about the governance of family businesses expressed by agency theorists and the overly pessimistic view expressed by Schulze and his colleagues (Lubatkin et al., 2005; Schulze et al., 2001, 2002, 2003).

According to behavioral economic theory, self-control refers to someone's ability to control his or her impulses in ways that can maximize his or her long-term welfare, while self-control problems are the costs incurred when self-control is low (Lubatkin, Ling, et al., 2007; Thaler & Shefrin, 1981). The theory of self-control acknowledges that everybody tends to suffer from occasional losses of self-control, because of a lack of complete foresight and the fact that nobody is entirely rational or perfectly disciplined in most situations. That indicates that most losses of self-control are frequent and may have some consequences for both the doer and the others. Furthermore, while we intend to do what is best for ourselves, we may fail time to time against our best interests (Lubatkin, Ling, et al., 2007).

Schulze and colleagues argue that because of parental altruism and owners' altruism helps a loss of self-control. That is why moral hazards are a real danger for family firms. Controversy, based on the behavioral economic theory Lubatkin et al. (2007) highlight that while family firm owners are likely vulnerable to self-control problems, they are often conscious about it. Therefore they willingly adopt rules and implement governance mechanisms to guard against the harmful consequences of such behavior. Owners, who have the ability to have vision, self-commitment, and the ability to establish and manage a firm, could also act as reliable, consistent, and fair. The only variable which deserves more attention is the degree to which the family firms' owner achieves sufficient self-control. Lubatkin et al. (2007) propose that contingent on the owners' level of self-control, their altruistic gestures and actions can either increase or lower the agency costs of the family firm. According to this, when the owners' level of self-control is low, these gestures can provide employees incentive to engage in morally hazardous acts that lead to an increase in the firm's agency costs. On the other hand, when the owners' level of self-control is high, they are better able to lessen these incentives efficiently, and they are also more likely to gain some benefits from altruistic behavior (e.g., stronger family bond, better communication, reciprocity, and trust), which could substitute for costly formal governance mechanisms to minimize employees' morally hazardous behaviors (Lubatkin, Durand, et al., 2007, p. 959).

Additionally, Jennings, Dempsey, and James (2018) also made propositions regarding the owning family characteristics that contribute to the various forms of bifurcation, namely biological discrimination of the family owners.

Fredo effect

In the systematic literature review, I have found three articles that dealt with the phenomena of the “Fredo” and its impact, called the “Fredo effect” (R. Kidwell et al., 2012; R. E. Kidwell et al., 2013; Samara et al., 2019).

Fredo effect (R. Kidwell et al., 2012) refers to the incompetent brother Fredo Corleone from the novel titled “The Godfather” by Mario Puzo. According to this, the Fredo effect is defined as a negative effect in the firm that can appear due to the way parents relate to and interact with their children, and also the resulting damage to the firm that those children can cause regardless of any goodwill they might have had beforehand (R. E. Kidwell et al., 2013).

By looking at the drivers of the Fredo effect, researchers conclude that Fredos can appear in family firms for many reasons under numerous circumstances and consequences of other types of family influence. Nepotism as a bias toward the hiring of a family member can set the stage for a Fredo to emerge, but it does not necessarily lead to that. Kidwell et al. (2013) also identified the Fredo effect as a dysfunctional behavioral outcome of the negative parent-child relationship and permissive parenting style, rivalry among siblings, parental altruism, and the differing norms between the family and business domain.

When children join the family firm as employees, the favored children will fall into the leader’s in-group and the less-favored ones into the leader’s out-group (Eddleston & Kidwell, 2012). Being in the leader’s out-group can cause the development of dysfunctional behaviors by the children and the Fredo effect. Furthermore, the rivalry among siblings in terms of their roles and position in the family firm can also lead to the Fredo effect when Fredo tends to damage the business based on revenge (R. E. Kidwell et al., 2013). Because of parental altruism and guilt for past parental behavior (e.g., neglect), parents often reward their children without merit. However, not all children will respond similarly to the parent’s generosity, and support and not everyone will feel entitled to extra benefit and develop into Fredo. However, the dysfunctional behavior of a Fredo can create additional feelings of guilt on the part of the leader and thus can foster even more parental altruism (R. E. Kidwell et al., 2013).

3.3.3.2. The manifestation of Family Influence on PM

After this, first, I provide an overview of the imprinting mechanism and the family influence on PM systems in terms of the level of bifurcation and formalization.

Imprinting mechanism

Kidwell et al. (2018) examined how a negative manifestation of imprinting in the family subsystem then transfers to the family business to affect HRM practices? In their study, they discussed HRM practices, including selection, compensation, appraisal, and retention. They identified the effect of family influence, such as entitlement, injustice, and parental altruism, on those HRM practices and how the functioning of the HRM system might be distorted to favor family employees. There were six propositions discussed in the study, which are based on the framework of imprinting research.

Kidwell et al. (2018) discussed how potentially negative behaviors and values, such as entitlement, injustice, and parental altruism, are imprinted on the family subsystem (genesis). They described how these learned behaviors and values transfer to the family firm subsystem and may permeate into a family firm culture in which the family values are imprinted on the organization and the employees connected to it (metamorphosis). Then, they suggested how specific imprints on a family firm's culture can cause problems in human resources, resulting in negative impacts on interpersonal relationships, firm financial performance, and the possibility for firm survival into the next generation (manifestations). They also argued that

there is a need for re-imprinting in the family firm, and these bad habits can be broken and readjusted to positive practices in the family firm (R. E. Kidwell et al., 2018, p. 7).

When a culture of entitlement imprints within the family firm, family members believe that they deserve more benefits, and they tend to focus more on what the company owes them instead of what they owe the company. Kidwell et al. (2018) proposed that “families imprinted with a sense of entitlement will be less likely to use formalized HRM practices (selection, compensation, appraisal, retention) for family employees than for nonfamily employees” (R. E. Kidwell et al., 2018, p. 11). They argued that family firms with an organizational culture of entitlement more probably have HRM practices that give privileges and opportunities to family employees over non-family employees. That means that while nonfamily employees are subject to the firm's compensation policies and performance appraisals, family employees hardly participated in these practices.

Kidwell et al. (2018) also proposed that “families imprinted with strong parental altruism are likely to manipulate HRM practices (selection, compensation, appraisal, retention) to benefit their adult-children working in the family firm” (R. E. Kidwell et al., 2018, p. 12). The authors contended that there could be numerous adverse effects of parental altruism on HRM practices at family firms. They were focusing on performance appraisal practices altruistic parents rarely give constructive feedbacks and reviews about the work performance of their children. That may result that these children do not perceive their poor behavior as inappropriate. However, parental altruism does not just hinder parents’ ability to effectively monitor and discipline their children (Lubatkin, Durand, et al., 2007). It tends to limit any type of corrective actions children receive for their dysfunctional behaviors and underperformance (Eddleston & Kidwell, 2012).

Kidwell et al. (2018) also suggested in their last proposition that the next generations of family firm leadership are more likely to initiate an effective re-imprinting process that can cause positive changes in HRM practices. That indicates that the change in management and ownership allows creating practices and behaviors that re-imprint the family firm with new cultural elements. That leads to more effective performance appraisal practices as well, which are more formalized, transparent, and less distorted and rejected by family and nonfamily employees.

Bifurcated PM systems

Some researchers emphasize that when bifurcation bias occurs in HR practices and monitoring, the financial benefits of HR professionalization are reduced because of a perceived inequity of treatment within the firm (Madison et al., 2018; Neckebrouck et al., 2018; Verbeke & Kano, 2012). Findings also show that harmful family influence on employment practices increases with both firm age and with heightened family involvement (Neckebrouck et al., 2018). However, other researchers give a more sophisticated view on this topic (Daspit et al., 2018; Jennings et al., 2018; Samara et al., 2019).

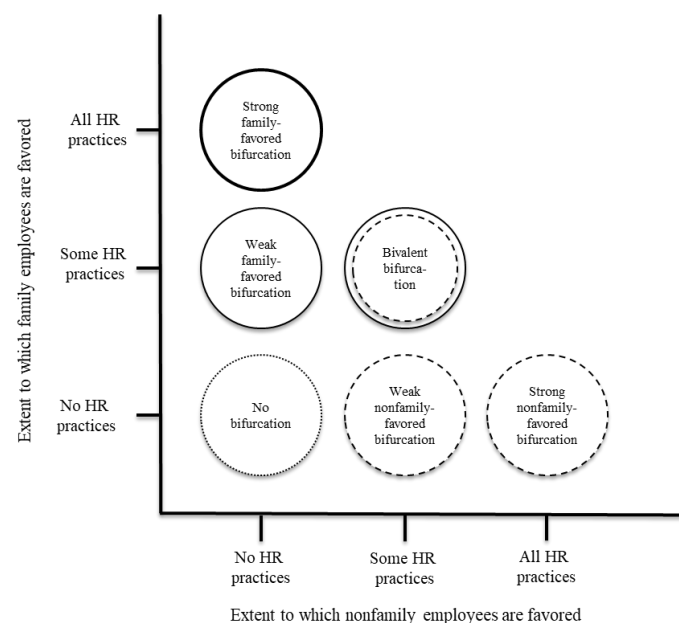
In their conceptual paper, Jennings, Dempsey, and James (2018) examine what is the nature, prevalence, origins, and consequences of the bifurcation bias and how can the typology of the different bifurcated HR practice bundles be extended in family businesses? To answer these questions, they reviewed the scholarly empirical articles relevant to bifurcation bias in the HR practices of family businesses between 1985 and 2016.

Firstly, as a result, the authors developed a typology of different bifurcated HR practice bundles in family firms based on interdisciplinary theory-building. The authors applied a normative-adaptive perspective on stepfamilies, which has a more holistic and positive view of stepfamilies with the primary goal to explore the ways in which certain stepfamilies have been able to function well while meeting the needs of each stepfamily member as well as the need of the stepfamily as a whole.

The model of Jennings, Dempsey, and James (2018) enrich the conceptualization of Barnett and Kellermanns (2006) by providing a set of more specific constructs, such as the concepts of weak versus strong family-favored bifurcation, weak versus strong nonfamily-favored bifurcation, and bivalent bifurcation. The typology of bifurcated HR practice bundles in family firms can be seen in Figure 15.

The strong family-favored bifurcation occurs within a family business if all of its HR practices favor family employees. That type of bifurcation bias is in line with the concept of Verbeke and Kano (2012). *The weak family-favored bifurcation* occurs if some of the HR practices favor family employees and none favors nonfamily employees. By contrast, *strong nonfamily-favored bifurcation* occurs if all HR practices favor nonfamily employees. In contrast, *weak nonfamily-favored bifurcation* occurs if some of these practices favor nonfamily employees and none favors family employees. *No bifurcation* occurs if none of the HR practices favors either category of the employee at a family firm (Jennings et al., 2018), which is recommended by Verbeke and Kano (2012). However, Jennings, Dempsey, and James (2018) argue that there can also be another balanced state, which they call bivalent bifurcation. *The bivalent bifurcation* occurs if some HR practices favor family, and some favor nonfamily employees.

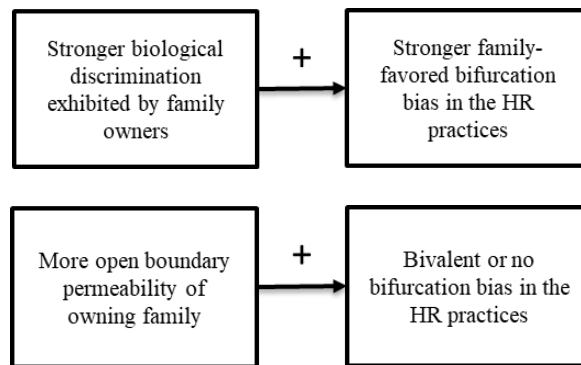
Figure 15 - A typology of bifurcated HR practice bundles in family firms



Source: (Jennings et al., 2018, p. 72)

Secondly, Jennings, Dempsey, and James (2018) also made propositions regarding the owning family characteristics that contribute to the various forms of bifurcation. The model of contributing factors associated with bifurcation bias in the HR practices of family firms can be seen in Figure 16.

Figure 16 - Contributing factors associated with bifurcation bias in the HR practices



Source: (Jennings et al., 2018, pp. 73–74)

There are two main contributing factors associated with bifurcation bias in HR practices, such as biological discrimination shown by the owner and family boundaries.

Concerning biological discrimination, Jennings, Dempsey, and James (2018) propose firstly that the HR practices will be more likely to exhibit (strong or weak) family-favored bifurcation than no bifurcation, bivalent bifurcation, or (strong or weak) nonfamily-favored bifurcation (Jennings et al., 2018, p. 74). Secondly, they suggest that those family owners who exhibit greater selective attachment to their family employees will tend to establish stronger family-favored bifurcated HR practices (Jennings et al., 2018, p. 74).

Concerning family boundaries, Jennings, Dempsey, and James (2018) propose that HR practices are likely to show either bivalent or no bifurcation when the owners collectively have a more open than a closed view of the family boundary (Jennings et al., 2018, p. 75).

Secondly, they propose an even stronger stance than Verbeke and Kano (2012) by questioning their conclusion that bifurcation bias is always damaging and should thus be eradicated from all HR practices. Jennings, Dempsey, and James (2018) argue that researches on stepfamilies imply that the elimination of asymmetric HR practices likely causes some degree of resentment on behalf of both family and nonfamily employees due to being treated in a non-differentiated way. All in all, the elimination of bifurcated HR practices will cause attitudinal and behavioral reactions from employees that are dysfunctional for the family business's performance. They also suggest that the bivalent bifurcation will be the most likely of the different types of bifurcated HR practices to elicit attitudinal and behavioral responses from family and nonfamily employees that are functional for firm performance.

The strengths of the study are that Jennings, Dempsey, and James (2018) make a theoretical contribution by extending conceptualizations that deals with only the preferential treatment focused on mainly family members (Barnett & Kellermanns, 2006; Jaskiewicz et al., 2013; Lubatkin, Ling, et al., 2007; Schulze et al., 2001). They also offer a set of more precise constructs. However, the study of Jennings, Dempsey, and James (2018) has several limitations as well. Firstly, the authors use the stepfamily analogy. Stepfamilies create social contexts in which children are raised and nurtured, and they each usually have at least one biological parent. In contrast, family firms create business contexts in which individuals are employed to work for pay. Secondly, the authors claim that the concept of bivalent bifurcation is mainly applicable to a family firm within western culture.

Formalization

Many researchers emphasize the importance of formalization of both performance management practices (R. E. Kidwell et al., 2013; van der Merwe, 2009; van der Merwe et al., 2012) and those management coordination mechanisms. The latter includes organizational structure, defining teams, delegating manager and team tasks, the division of responsibilities, and defining job descriptions that are responsible for connecting individual work performance to performance at the organization level (R. Kidwell et al., 2012; van der Merwe, 2009). Pittino et al. (2016) argue that the interaction between formal and informal HRM practices could cause both additive and substitutive effects. Others argue that effective HR practices should be balanced between formal and informal HR practices (Haslan et al., 2019; Mustafa et al., 2018) and between instrumental governance mechanisms that reflect a monitoring approach and normative mechanisms that focus on collaborative efforts among family employees (Eddleston et al., 2018). Finally, the conceptualization of Daspit et al. (2018) gives more explanation of the family-related antecedents of formalization of HR practices.

Chrisman et al. (2007) argued if family members are regularly monitored to guarantee appropriate behavior, the firm performance is improved. In line with this, in order to diminish the negative consequences, Kidwell et al. (2013) suggested that Fredos should be held to the same standards as nonfamily employees regarding performance appraisal practices. The work of family employees should be reviewed and monitored, and they should also be aware that detailed performance review records are kept. Leaders should not be the sole person to conduct performance appraisals. Instead, they should include nonfamily employees and consider anonymous 360-degree performance appraisals fostering objectivity in the review process. A formal appraisal process can foster a culture with merit and diminish any sense of entitlement that family members may feel. Transparent incentive systems based on performance appraisals can support family members to align their behavior and goals with the overall goal and interests of the family firm (Chrisman et al., 2007). Van der Merwe (2009) and Van der Merwe et al. (2012) also highlighted that the more family members perceive fair treatment, the more harmonious family relations and perceptions of business continuity will be. They also emphasized the importance of a well-defined performance management system to ensure fair treatment for all employees, including family members, by paying a competitive market-related salary based on individual efforts.

Van der Merwe (2009) also emphasizes the importance of setting and making clear policies for family member employment, performance measurement, and discipline, as well as all types of compensation, including incentive or performance-based compensation before the family members join the family firm; furthermore discussing and reviewing these policies time to time. Kidwell et al. (2012) highlighted that the appraisal of Fredos should also be based on a formal job description, and rules and expectations should not be any different for family members. Kidwell et al. (2012) conducted survey research to examine how family harmony norms, fairness perceptions, and role ambiguity are related to family impediments and whether the relationship conflict mediates these connections. In their study, they proposed that a crucial role in developing the unethical behavior that can be associated with a Fredo effect is a family firm's perceived norms of harmony, perceptions of fairness, perceived clarity of the family member's role in the firm and family issues of relationship conflict. As they hypothesized, family harmony norms and fairness perceptions are negatively related to family impediment, while role ambiguity is positively related to the family impediment. However, they found that relationship conflict mediated these connections, emphasizing the potential damage this type of conflict can create in a family business, even if leaders make an effort to establish conditions that reflect a stewardship approach to family business governance.

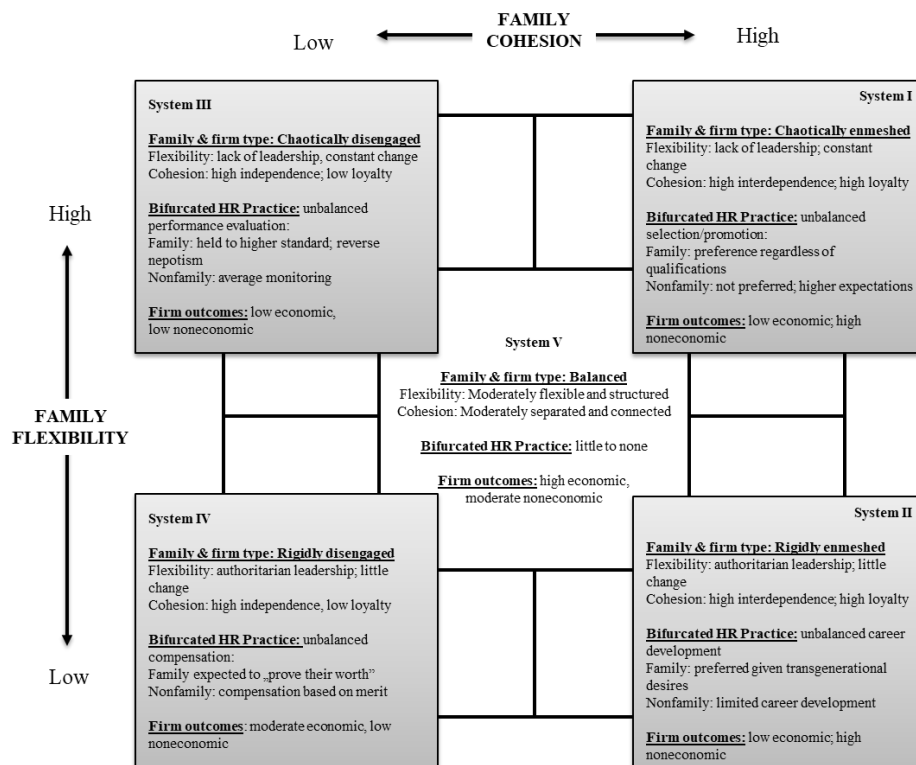
Pittino et al. (2016) also found that the implications of family businesses' informal HR practices on retention depend on family involvement, regardless of the family status of the organization's leader (i.e., family or nonfamily CEO). Nevertheless, the impact of the founding generation is positive. However, its extent is small, with a borderline significance level. There is a possible explanation, such as HRM practices interact either in an additive, synergistic, or substitutive effect, with one alternative excluding the other (Delery, 1998). In this case, this means that interaction between formal and informal HRM practices could cause both additive and substitutive effects. From a practical managerial point of view, Pittino et al. (2016) also suggest that even there is a need to implement formal management practices to reduce the perception of procedural injustice and nepotism (Barnett & Kellermanns, 2006), HPWPs investments beyond a certain level would be redundant. That is because there are informal mechanisms stemmed from the family influence that can act as substitutes for various formal ones. (Eddleston et al., 2018)

In another study, Eddleston et al. (2018) investigated whether an integration of stewardship and agency theories (embodied through interactions between family harmony and adaptability with monitoring) can help describe the level of extra-role behavior exposed by family employees at family firms. The scholars proposed that family businesses underlining collaboration as encouraged by stewardship theory and monitoring, as encouraged by agency theory, may experience higher levels of extra-role behavior by family employees. In their study, extra-role behavior (ERB) is defined as "discretionary behavior that is (1) not specified in advance by the job role, (2) not recognized by a formal reward system, and (3) not a source of punishment if the job holder does not perform it" (Eddleston et al., 2018, p. 2). Their findings show that effective human resource practices should be balanced between instrumental governance mechanisms that reflect a monitoring approach and normative mechanisms that focus on collaborative efforts among family employees. When a family business is able to achieve this balance, the emphasis may be on fairness and accountability rather than distrust and forced compliance in the family firm context.

Daspit et al. (2018) apply the family systems theory and the Circumplex Model of Marital and Family System (D. H. Olson et al., 1979) to describe that the structure of a family system has an impact on the structure and effectiveness of the family business system. The authors study the attributes of the controlling family that establish unbalanced HR practices between family and nonfamily employees in the family business. Specifically, they argue that an unbalanced family structure, which is characterized by two dimensions (i.e., cohesion and flexibility), can lead to unbalanced HR systems in the family business that might cause declining performance as well. In their study, Daspit et al. (2018) describe an unbalanced HR system as a form of an asymmetric treatment of family and nonfamily employees or bifurcation bias via HR practices. I discussed in detail the applied family system model of Daspit et al. (2018) in Chapter 0.

Daspit et al. (2018) suggest that bifurcated HR practices are more likely to be implemented when the family system is unbalanced, such as chaotically enmeshed (System I), rigidly enmeshed (System II), chaotically disengaged (System III), or rigidly disengaged (System IV). When the family system is balanced (System V), they argue that bifurcated HR practices are less likely to be established. The detailed model of Daspit et al. (2018) can be seen in Figure 17.

Figure 17 - Presence of bifurcation bias & implications for HR practices and firm outcomes



Source: (Daspit et al., 2018, p. 24)

For each type of system, they describe not just examples of specific HR practices and make propositions about the resulting firm performance outcomes. The propositions related to the five systems are as follows:

In the case of a chaotically enmeshed family system (System I), bifurcation bias exists in the HR practices of the family business system resulting in relatively low economic outcomes and high non-economic outcomes for the family business.

In the case of a rigidly enmeshed family system (System II), bifurcation bias exists in the HR practices of the family business system resulting in relatively low economic outcomes and high non-economic outcomes for the family business.

In the case of the chaotically disengaged family system (System III), bifurcation bias exists in the HR practices of the family business system resulting in relatively low economic outcomes and low noneconomic outcomes for the family business.

In the case of a rigidly disengaged family system (System VI), bifurcation bias exists in the HR practices of the family business system resulting in relatively moderate economic outcomes and low noneconomic outcomes for the family business.

In the case of the balanced family system (System V), bifurcation bias is mostly absent or nonexistent in the HR practices of the family business system resulting in relatively high economic outcomes and moderate noneconomic outcomes for the family business.

After this, I focus on the main aspects of the five systems related to perceived justice and performance appraisal.

Chaotically enmeshed (System I) family system has a lack of leadership and is characterized by constant change and high interdependence, and high loyalty among family members. That leads to bifurcated HR practice characterized based on nepotism. Nonfamily employees have to face higher expectations in general, which cause injustice perception among them.

The chaotic family structure also may result in a lack of formalized and consistently applied HR practices, such as performance appraisal.

Rigidly enmeshed (System II) family system is characterized by authoritarian leadership, limited change, and high interdependence and loyalty among family members. The rigidly enmeshed family system leads to bifurcated HR practice mostly characterized by unbalanced career development. Whereas performance appraisals are more likely characterized by formalized evaluation focusing on past performances and accountability, which can foster procedural justice, nonfamily members may perceive injustice not receiving equal career opportunities at the family firm.

Family firms governed by chaotically enmeshed (System I) and rigidly enmeshed (System II) families are likely characterized by not low economic but high non-economic outcomes.

Chaotically disengaged (System III) family system has a lack of leadership and is characterized by constant change and high independence, and low loyalty among family members. The chaotically disengaged family system leads to bifurcated HR practice mostly characterized by an unbalanced performance evaluation resulting in not only low economic but low noneconomic outcomes. According to Daspit et al. (2018), these family businesses suffer from inconsistently applied HR practices as a result of the chaotic nature and “reverse-nepotism” (Daspit et al., 2018, p. 25). In this case, family members are held to a higher standard than other nonfamily employees. HR practices are not formalized nor consistent because of a lack of leadership. Thereby performance appraisals tend to be vague for employees, and assessments are conducted on an inconsistent basis. Reverse-favoritism behavior may be an attempt by the family firm to show values of fairness to its nonfamily employees (Verbeke & Kano, 2012). However, given the chaotic nature of the system, such measures with lack of formalization and inconsistency would, even more, reduce perceptions of fairness and results in underperformance and turnover. Therefore, family businesses governed by chaotically disengaged families are likely to suffer from not just low economic but low noneconomic outcomes as well.

Rigidly disengaged (System IV) family system is characterized by authoritarian leadership, limited change, and high independence and loyalty among family members. The rigidly disengaged family system leads to bifurcated HR practices mostly characterized by unbalanced compensation practices. As in the case of System III, family members are subject to “reverse-nepotism,” while nonfamily employees’ compensation is based on merit. In contrast to the HR system affected by chaotically disengaged family systems, perceived fairness among non-family employees may exist. Since the amount of change in the leadership, role relationships, and relationship rules is rather low, which can provide more room for consistency and formalization of HR practices, such as performance appraisal and compensation. That is why Rigidly disengaged family systems are likely to be characterized by at least some moderate economic outcomes.

According to Daspit et al. (2018), in the case of the balanced family system (System IV), there is limited or no bifurcated HR practices, wherein performance evaluations, practices are formalized (yet adaptive), both family and nonfamily employees are aware of expectations, evaluations are administered at regularly, and all employees are expected to meet similar standards. This kind of family system is balanced; bifurcation bias is absent or nonexistent in the HR practices resulting in mainly high economic outcomes and moderate noneconomic outcomes.

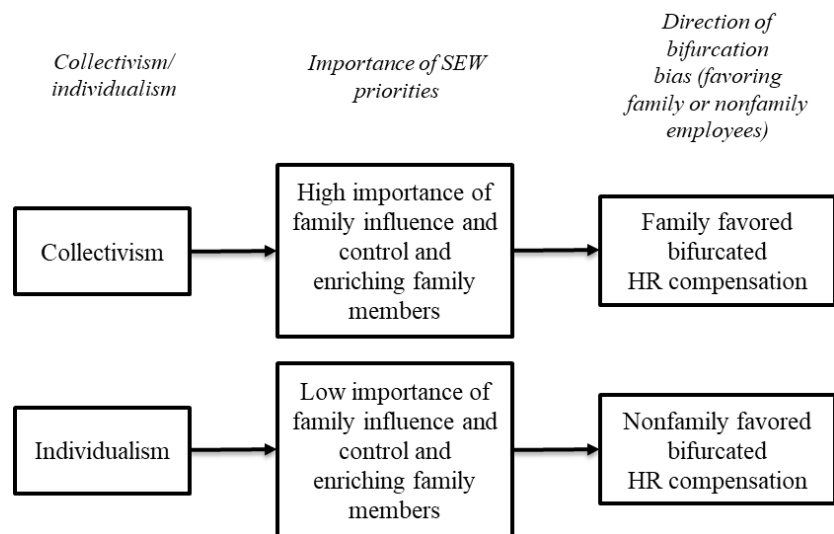
The conceptualization of Daspit et al. (2018) is relevant because it gives more explanation of the family-related antecedents of HR formalization. However, the propositions of Daspit et al. (2018) fail to take into account other external environmental factors (high variability and high complexity) of the family firm as well, which can also lead to a lack of formalization of practices regardless of the family system.

Context of individualist/collectivist national culture

Samara et al. (2019) establish the link between individualist/collectivist national culture (Hofstede, 1984) and one particular bifurcated HR practice. In their conceptualization, Samara et al. (2019) focus on the antecedents and outcomes of one particular HR practice, namely bifurcated compensation, and investigate when bifurcated compensation favors family versus nonfamily employees. They also study how bifurcated compensation (either favoring family or nonfamily employees) influences the work outcomes of the underprivileged group.

Based on this, Samara et al. (2019) suggest that under circumstances of meritocratic bifurcated compensation and when cultural preconditioned compensation expectations are met, bifurcated compensation in family firms will not necessarily have an effect on the work inputs of the underprivileged group; however, when bifurcated compensation is not meritocratic and when culturally compensation expectations are violated the negative impact of inequity on employees work inputs are magnified. In particular, the authors made the following propositions: In a collectivist culture context, family businesses will attribute high importance to achieving goals of sustaining influence and control and enriching family members, causing bifurcated compensation that prefers more family employees. In contrast, in an individualist culture context, family businesses will attribute less importance to achieving socioemotional wealth goals of family enrichment and influence and control and more importance to family prominence, causing bifurcated compensation that prefers more non-family employees. (See also in Figure 18.)

Figure 18 - Effect of individualist/collectivist national culture on direction bifurcation bias



Source: (Samara et al., 2019, p. 7)

In line with the finding of Samara et al. (2019) in my review, there is only one conceptual paper, which focuses on family businesses in Chinese culture rather than in western culture. The study of Gatfield and Youseff (2001) discusses the traditional Chinese Family Business (CFB) and the associated Chinese Business Clan (CBC). The study examines both organizations in the areas of human resource management, employee motivation, employee performance appraisal, besides organizational structure and control, and power and authority. The Chinese Family Business is built on the foundation of Confucian values regarding family, education, work, social ethics, group conformity, and centralized authoritarian values, in which the collective good of the group and society includes the needs of the individual.

Members of CFB share a common culture, values, and goals, having friendly relations and consideration for one another rather than being competitive towards each other. The extended family is the basic economic unit and is also concerned as a collectivistic, familial, capitalist unit. The divisions among traditional work, leisure, and home life are either unclear or do not even exist. The majority of CFBs are relatively small and simple and tend to be relatively low in capital intensity and infrastructure. When the CFB grows beyond direct familial control and grows in size, complexity, and capital intensity, then it tends to adopt a CBC structure. When this happens, the family structure changes, even it remains the founding clan leaders and elders (Gatfield & Youseff, 2001). Chinese Business Clan is defined as “commercially oriented social enclaves, incorporating individuals and business groups that are obliged by powerful, noncontractual ties” (Gatfield & Youseff, 2001, p. 154). In this case, the family gives up its absolute power, and the organization has to hire and trust outsiders, who are often informally adopted as clan family members with trusting them in the decision making.

Within CFBs, job specialization is usually unnecessary. While job rotation and adaptability are highly appreciated, employees are required to do any job-related tasks. Within CBCs, the principle of human resources management guarantees loyalty through the fraternization of the workforce to foster dedication, trustworthiness, and diligence. Both types of organizations share a common set of principles regarding motivation. These organizations hide employment payments in the case of both family and nonfamily members. As part of their familial duty as employees, family members of the CFB are often expected to work for nonmonetary compensation. They get remuneration indirectly, such as medical and education expenses. The motivation is mainly based on intrinsic elements and driven by a collectivist norm of the family’s overall future success and longevity. In the case of CFB, the importance of retaining and saving face leads to avoid straightforward confrontation on poor performance. Poor performance is handled carefully through indirect hints by supervisors. As a result of bifurcation bias, underperforming nonfamily employees who fail to improve their performance based on these hints get degraded or dismissed. However, when family employees are poor performers and do not read the signals correctly are unlikely to be dismissed.

On the other hand, good performers are compensated individually with incentive bonuses. Faithful work and personal history play a key role in evaluating individual performance based on the long-term orientation of the culture. Accordingly, an individual’s success or accomplishments are secondary to the overall objectives of the clan within CBC. Since dismissal reduces the human resources of the clan organization, members are not dismissed easily. Unlike the CFBs, CBC trusts its members more and allows for more errors on the condition of improvement. However, if a clan member cannot manage to follow the three Cs of communication, consensus, and commitment and neglects to include and advise others, the member could receive a punishment that may lead to dismissal too.

In an early quantitative study, Amba-Rao et al. (2000) aimed to compare performance appraisal practices and management values by firm ownership in another collectivist country, namely India. They argued that while using performance appraisal results for evaluative purposes, family businesses are less likely to discuss PA results openly with their employees. The authors also explained the relative lack of effective use and relevance of PA in India by a cultural and structural argument. Firstly, the cultural argument is based on the Hindu belief that an individual’s fate (karma), based on past actions in past lives, limits achievement and controls the possible outcomes, which means proactive actions to foster performance are ineffective. Secondly, the structural argument is based on the contemporary PA system-deficiency argument, that is that subjectivity and injustice embedded in the current PA system leads to a lack of reliance and trust in it. In a qualitative study, Yujie Cai and Mingtian Yu (2013) conducted exploratory qualitative research to answer the question what are the differences

between family and nonfamily employees in the implementation of HR practices? The authors examined HR practices, CEO succession, and the implementation of these HR practices in three small-sized family firms that originated from Taiwan and are currently operating in Shanghai, Mainland China. The research was based on semi-structured interviews and non-participant observation.

As a result, Yujie Cai and Mingtian Yu (2013) argue that there is a preference for the “insiders,” including Taiwan employees, usually acting in the management („Taigans”), relatives, and employees who have worked for the CEO for many years. These “insiders” always receive more tolerance, which means they are forgiven easier and never punished. Even in extreme cases, the “insiders” only have a family talk with the CEO. However, the employees did not perceive this process as extremely unfair. That may be because employees from the “outsider” group do not expect a promotion based on merit in this size of a company (Yujie Cai & Mingtian Yu, 2013).

The findings of Jennings, Dempsey, and James (2018), Daspit et al. (2018), and Samara et al. (2019) emphasize the complexity of bifurcated HR practices in family businesses and the contingencies that need to be taken into account in order to have a better understanding of the sources, direction, and consequences of bifurcated HR practices in family businesses.

Implementation and communication of PM

By conducting a single descriptive case study in a China-based family SME, Haslan et al. (2019) concluded that the performance management system was implemented differently from what was planned. Based on the process model by Nishii and Wright (2008), there is a difference between PM practice intended by HR and PM practice implemented later on by different line managers. Consequently, I argue that the presence of the family can influence PM through its implementation and communication. Accordingly, in this section, I highlight the possible variations in judgments of justice and fairness in a family business workplace (Samara & Paul, 2019); the mediating factors between planned bifurcated HR practices and work-related attitudes and behaviors (Jennings et al., 2018; Samara et al., 2019).

The conceptions of justice and fairness have been applied interchangeably in the business ethic and the family business literature. Scholars claim that the two concepts are highly overlapping or even substitute for the same basic concept. They assume that the increase of justice will automatically translate into fairness perceptions. These claims are based on the assumption that all employees have a similar frame of reference for judging actions. However, they fail to consider the role of biased expectations, emotions, and family relations influencing employees’ ethical perceptions and fairness judgments in the workplace.

In fact, justice and fairness are characterized as two distinct ethical norms: while justice simply refers to “adherence to rules of conduct”; fairness refers to “individuals’ moral evaluations of this conduct” (Goldman & Cropanzano, 2015b, p. 313), and thus it is a subjective perception of whether rules of conduct are ethical and fair (Goldman & Cropanzano, 2015b).

The business ethics framework takes utilitarian justice as a foundational ethical principle. Utilitarian justice refers to adherence to rules of conduct that encourage impartial treatment and to the avoidance of practices or policies that show favoritism or discrimination. Fairness contains the idea of justice, but it can also be times when impartiality leads to unfairness (Goldman & Cropanzano, 2015b). Adhering to rules and regulations set up to reward employees based on their economic contributions can only lead to justice and fairness simultaneously in two cases. If a distinct separation between ownership and management exists (Colquitt et al., 2001) and if an employee cannot be a family member of the controlling owners of the company.

From a socioemotional wealth perspective, family-owned firms pursue not only economic goals but also socio-emotional goals related to the family. That means if rules and regulations are implemented to reward employees who contribute to economic goals while discriminating against employees who contribute to socioemotional goals, then even adherence to these rules of conduct will improve justice, it will violate fairness perceptions among family business employees in the same time. Because of this, Samara and Paul (2019) argue that the utilitarian conceptualization of justice may come into direct conflict with fairness perceptions in family businesses since justice measures will not automatically lead to fairness if socioemotional goals are also important; and an employee or a manager can be a family member as well.

Samara and Paul (2019) suggest that family firms should not apply professionalization processes based on what is applicable to their non-family counterpart. Instead, controlling family owners have to acknowledge that a family business is subject to a significantly different context than a non-family business, and thus, they must try to establish justice measures that take into account both economic and socio-emotional goals.

Samara and Paul (2019) discuss how incorporating socioemotional goals (i.e., high level of trust, commitment, and reciprocity) into rules and regulations, considered to assure justice, can increase fairness perceptions to establish an ethical workplace.

According to Samara and Paul (2019), there are four possible variations in judgments of justice (high/low) and fairness (high/low) in a family business workplace, which can be seen in Table 6.

Table 6 - Possible variations in judgments of justice and fairness

	High in fairness	Low in fairness
High in utilitarian justice	Well regarded in both family and non-family businesses, but difficult to achieve in the family business context due to the pursuit of socioemotional goals	Controlling owners may extend preferential treatment to certain employees who are contributing to economic goals. These practices are objectively just but can subjectively be perceived as unfair due to socioemotional and family pragmatic considerations
Low in utilitarian justice	Controlling owners reward employees for their contributions to both economic and socio-emotional goals. These rewards are objectively unjust but employees may accept these practices as fair due to socioemotional and family pragmatic considerations	Poorly regarded in both family and non-family businesses

Source: (Samara and Paul 2019:3)

Samara and Paul (2019) compared the utilitarian and SEW approach along three dimensions, such as conceptualizing justice, fairness among family employees, and fairness between family and nonfamily employees.

In the utilitarian approach, there is the assumption of justice that family members involved in the family business are simply employees. Family-owned businesses should be professionalized like their nonfamily-owned counterparts in a way that they implement practices without any preferential treatment of family employees. Otherwise, these practices will be judged as biased

and unfair. Ethical behavior involves establishing rules and regulations that honor contributions to simply economic goals. Only employees' contributions to the inside company are taken into consideration. Kinship relations do not have an impact on how fairness is perceived among family employees. Fairness perceptions are interpreted based on who contributes more to achieving economic goals. Furthermore, family and non-family employees with the same set of skills have to be rewarded equally.

In contrast, in the socioemotional wealth approach, preferential treatment may be acceptable toward some employees who have more needs than others or who contribute to the family's socio-emotional goals. Ethical behavior involves establishing rules and regulations that honor contributions either to socioemotional goals or to economic goals. Employees' contributions inside and outside the company are taken into consideration. Fairness perceptions are interpreted according to what the family considers as morally honorable. If a family member contributes more to socioemotional goals, he or she will also be rewarded for that.

Controlling owners should communicate the family's socioemotional goals openly and transparently. Besides this, they should extend privileged treatment to qualified family employees who contribute to the family's socioemotional and economic goals. That can ease the information asymmetry between family and non-family employees since all employees become conscious of the family's socioemotional desires and of the rewards associated with fulfilling these desires.

The authors emphasize that family businesses can incorporate socio-emotional goals in rules implemented to achieve justice among family employees. So that formal rules should focus on the following: communication and voice, clarity of process and information, consistency across people, and over time, changeability of decisions in case of unjust, and commitment to fairness.

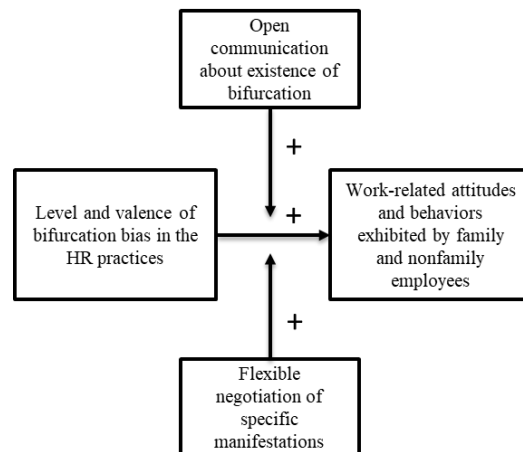
On the other hand, family businesses can also incorporate socio-emotional goals in rules designed to achieve justice between family and nonfamily employees. So that the fair process should consist of a pre-requisite that family members must be committed to fairness and include four steps, such as 1) clearly explaining the expectations for entitlement; 2) giving equal opportunities to have a voice; 3) considering the correctability of the unfair decision; 4) consistently applying decisions over time and across people.

The significance of Samara and Paul (2019)'s study is that it explains why family businesses operate based on many informal rules, procedures, and norms that form a fairness perception of their employees (Lansberg, 1989).

In the study of a different form of bifurcated HR practices, Jennings, Dempsey, and James (2018) also made propositions regarding conditions under which the assumed dysfunctional consequences of asymmetric treatment of employees could be reduced.

Jennings, Dempsey, and James (2018) extend Verbeke and Kano's (2012) views on the outcomes of bifurcation bias by proposing that the dysfunctional implications for the work-related attitudes and behaviors of family and nonfamily employees can be diminished through open communication and flexible negotiation by the family owners about the nature and rationale for asymmetric HR policies and practices. (See in Figure 19).

Figure 19 - Contributing factors associated with bifurcation bias in the HR practices



Source: (Jennings et al., 2018, pp. 73–74)

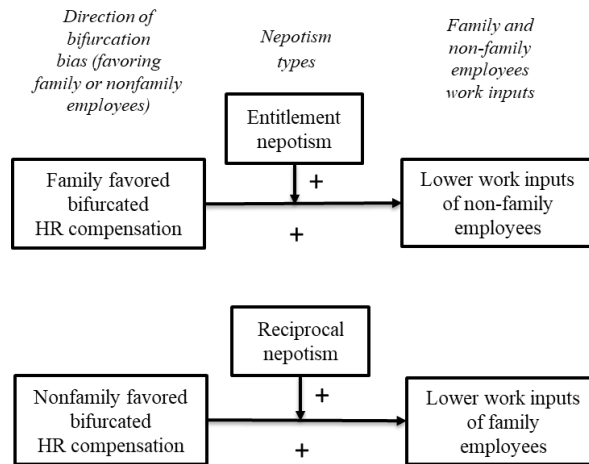
In relation to performance appraisal practices of their review Jennings, Dempsey, and James (2018) highlight that family employees tend to receive less strict performance evaluations than non-family employees, while family employees found this kind of differential treatment unfavorable. Specifically, while performance appraisals of family CEOs are decoupled from business performance and risk (Gomez-Mejia et al., 2001), family employees felt nonfamily executives were given more information in their appraisals. Thus nonfamily executives were more satisfied with the amount of feedback provided in appraisals (Poza et al., 1997). According to Kidwell et al. (2013), it is also crucial that family members are informed when they are not complying with the performance standards, and the next steps and clear expectations for further improvement should be set. If family members cannot be held accountable for their underperformance, the family firm leader will lose credibility.

These findings were also in line with the evidence of the compensation practices, which were also mixed with respect to whether family or nonfamily employees tend to be treated preferentially in terms of compensation (Jennings et al., 2018) and also highlight the significance of open communication and flexible negotiation in the implementation phase of PM practices.

Samara et al. (2019) focus on the antecedents and outcomes of bifurcated compensation and investigate when it favors family or nonfamily employees. Furthermore, they discuss how bifurcated compensation influences the work outcomes of the underprivileged group. They argue that types of nepotism and power distance of the national culture (Hofstede, 1984), which is one of the most studied dimensions in cultural research (Erez, 2011), have a moderating effect on the relationship between bifurcated compensation and the work inputs of the underprivileged group.

Samara et al. (2019) suggest that if entitlement nepotism prevails, bifurcated compensation that treats family employees better will diminish nonfamily employees' contributions. Conversely, if reciprocal nepotism prevails, bifurcated compensation that treats nonfamily employees better will decrease qualified family employees' efforts. (See in Figure 20)

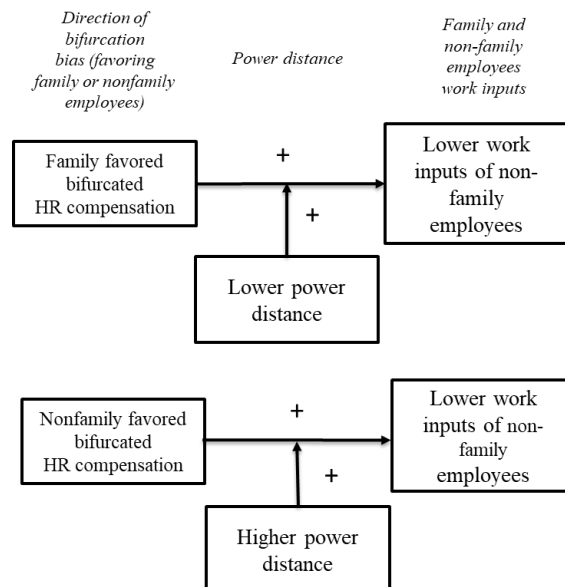
Figure 20 - Moderating effect of nepotism types on the relationship of bifurcated HR compensation and employees' work input



Source: (Samara et al., 2019, p. 7)

Furthermore, power distance moderates the negative relationship between bifurcated compensation practices preferring Fredos and nonfamily employees' work inputs, such that this relationship will be stronger in countries with low power distance cultures. On the other hand, power distance moderates the negative relationship between bifurcated compensation preferring nonfamily employees and qualified family employees' work outcomes, such that this relationship will be stronger in countries with high power distance cultures. (See in Figure 21)

Figure 21 - Moderating effect of power distance on the relationship of bifurcated HR compensation and employees' work input

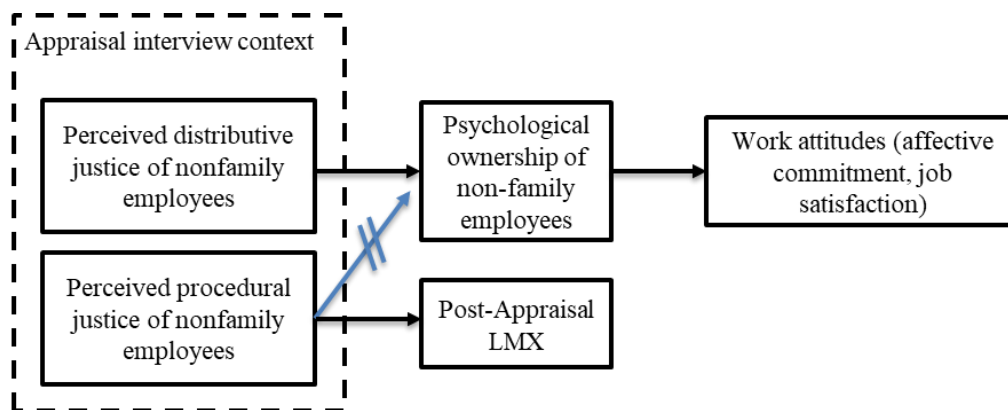


Source: (Samara et al., 2019, p. 7)

The study of Sieger et al. (2011) gives more insight into the inner cognitive process of nonfamily employees after the implementation and communication of PM practices and the

interaction of their line managers during the performance appraisal interview. Sieger et al. (2011) are the first scholars to both theoretically and empirically link nonfamily employees' justice perceptions and ownership feelings in the family business context. They studied whether psychological ownership acts as a mediator in the relationships between justice perceptions (distributive and procedural) and common work attitudes, such as affective commitment and job satisfaction? The authors examined nonfamily employees' justice perceptions in the appraisal interview context in family firms based on an analysis of a sample of 310 nonfamily employees from Germany and German-speaking Switzerland. As a result of their analysis, Sieger et al. (2011) pointed out that psychological ownership of nonfamily employees toward the family business mediates the relationships between distributive justice and affective commitment as well as job satisfaction. On the other hand, a fair process in the context of appraisal interviews is not able to generate ownership feelings, shows that nonfamily employees rather regard the superior responsible for justice and that this evaluation is not transmitted to the family firm organization overall. In line with the proposition of Erdogan (2002), rater procedural justice rather leads to Post-Appraisal LMX, which is less likely to have an effect on leader-related outcomes and performance-related behaviors than organizational outcomes. (See also in Figure 22).

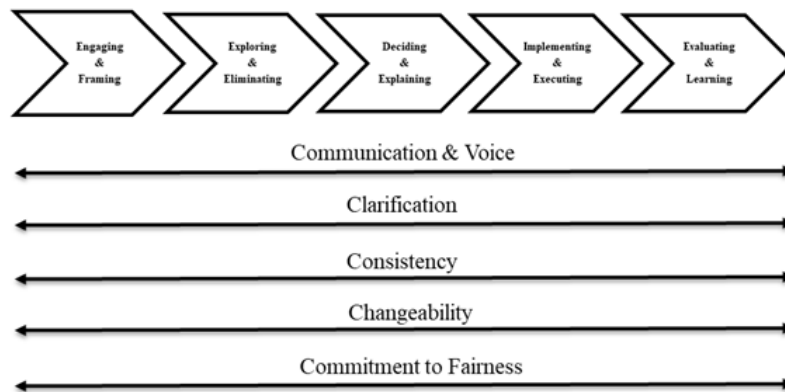
Figure 22 - Mediating effect of psychological ownership in Appraisal interview context



3.3.4. The effect of Performance Management on Perceived Justice

As discussed earlier in Chapter 3.3.2 and Chapter 3.3.3, the systemic nature of the family firm - with its three spheres of family, business, and ownership - creates many opportunities for injustice. Van der Heyden, Blondel, and Carlock (2005) argue that there is the difficulty of any use of distributive justice to the family business system since different stakeholders will judge the fairness of particular results with very different criteria. Families and their members allocate resources based on need, shareholders of the family firm allocate resources based on equality, while managers and employees allocate resources based on merit. The different stakeholders will hardly come to an agreement on an entirely fair distributional outcome in a family business system. One solution may derive from principles of procedural justice that is from the degree of fairness of the process applied to resolve conflicting claims from various stakeholders in the family business system. Van der Heyden, Blondel, and Carlock (2005) developed a Dual Framework for Fair Process in Family Firms, which you can see in Figure 23.

Figure 23 - A Dual Characterization of Fair Process



Source: (Van der Heyden et al., 2005, p. 8)

According to this, the authors describe a fair process in family firms as a dual construct, including both a description of the steps explaining a decision-making process perceived as fair and five characteristics these steps must include.

Firstly, the decision-making process consists of five iterative steps: (1) Framing and engaging, (2) Exploring and eliminating, (3) Deciding and explaining, (4) Implementing and executing, (5) Evaluating and learning. Below I introduce all the five steps in detail:

- (1) *Framing and engaging*: Framing the issue means that it should be examined what aspects are essential and what criteria along which outcomes can be measured. Furthermore, proper engagement of those involved is also essential early in the process in order to frame the decision and commit people to the resolution and the implementation of the outcome.
- (2) *Exploring and eliminating*: This second step refers to generating a list of available options and evaluating the implications. Relevant facts and uncertainties and their possible effects on the decision outcome should also be considered.
- (3) *Deciding and explaining*: The decision should be selected at some point that ends the exploration phase. If the stakeholders are kept informed, they are more likely to become satisfied. Expectations are also set regarding the effective execution of the decisions made.
- (4) *Implementing and executing*: after the decision was made, it is crucial how decisions were implemented.
- (5) *Evaluating and learning*: The evaluation is an integral part of the decision-making process since learning cannot be over time, improvement will be limited, and it is more likely that mistakes may be repeated otherwise (Van der Heyden et al., 2005).

Secondly, there are five main criteria, which are essential to the effectiveness of the fair process in family firms, such as (1) communication and voice, (2) clarity of information, process, and expectations, (3) consistency across people, over time, and with agreed values and norms, (4) changeability of decisions, process, goals, and principles, (5) commitment to fairness.

- (1) *Communication and voice*: As the first principle of fairness in decision-making processes includes giving voice to those concerned in order that their views are represented (Leventhal, 1980). In the case of family businesses, the involvement of the younger generations is essential. Members evolve from a parent-child relationship to a family of adults. As a result, the younger generation should be allowed to express their ideas freely and experience family interactions based on fairness and mutual respect. Even the negotiation process about their new roles can be challenging.

- (2) *Clarity of information, process, and expectations*: Fair process requires clarity, and clarity fosters fairness. Clarity does not only mean the accuracy of information (Leventhal, 1980) but includes explanations and expectations (Kim & Mauborgne, 2003), as well as clarification of entitlement (Lansberg, 1989). There is a need to clarify individual, family, and management expectations in a way that includes every participant in the family business system to establish a shared understanding of goals and potential areas of conflict.
- (3) *Consistency across people, over time, and with agreed values and norms*: Consistency is not just an ethical requirement of the procedure across people and across time with values and norms, but the suppression of bias by decision-makers and the participants. In other words, in management, “walking the talk” needs actions to be in line with espoused intent. In the family business context, there is a strong need for consistency across individuals within the family and within the business (e.g., family vs. non-family employees) in line with the family-firm principles. Talented family members from the younger generations hope that their careers be developed due to their competence and achievement evaluated by the same performance standards and reviews applied with nonfamily members.
- (4) *The changeability of decisions, processes, goals, and principles*: Changeability refers to the family’s need to change previous agreements to reflect existing family values and interests better and current business needs. A unique challenge of a family business is that family lifecycle events (e.g., birth, death, or divorce) can lead to discontinuities for the firm all of a sudden. Examining and changing ownership or employment agreements, as well as past rules made by older generations, is a critical need for the new generations to perceive fairness.
- (5) *Commitment to fairness*: Fair process can be seen as a relative concept rather than absolute since, in practice, fairness can only be aimed at, never fully achieved. A systemic commitment to the practice of a fair process is the most effective way to prevent any tendency toward a mechanical application of the requirements. Moreover, family culture foster a strong sense of ethicality and family identity that is also consistent with the value of fairness (Van der Heyden, Blondel, and Carlock 2005).

Van der Heyden, Blondel, and Carlock (2005) underline that improved performance derived from fair process practices justify these practices, making stakeholders demand even more procedural justice in the future. That establishes the positively reinforcing cycle of a fair process. In contrast, an absence of fair process has precisely the opposite effect: In contrast, violations in the long-term can lead to retributive justice, where employees take revenge on those they hold responsible for their perceptions of unfairness. This revenge may far surpass the degree of the original unfairness.

Samara et al. (2017) suggest that a combination of equality and equity should be in place in the family business in order to ensure fairness between family and nonfamily employees. Accordingly, they propose four steps and a prerequisite as a possible solution. In contrast to Van der Heyden et al. (2005), the authors pointed out that they understand the commitment to fairness to be a prerequisite rather than a final step. Table 7 shows the steps by which a family firm can make for achieving fairness.

Table 7 - A fair process in the family business

Steps	Description	Course of Action	Responsible for Application
Pre-Requisite	Family business decision makers must be committed to fairness.	The family commits to implement and execute fair practices in the business workplace.	Family business owners, decision makers, or advisors.
Step One	Clearly explaining the expectations for entitlement.	The expectations for entitlement must be specified clearly to all employees before signing the employment contract.	Family business decision makers, human resources manager, or human resources employees.
Step Two	Giving equal opportunities to have a voice.	Before their first day at work, family business employees must know that they can freely and safely discuss their concerns about perceived unfair decisions.	Family business decision makers, human resources manager, or human resources employees.
Step Three	Considering the correctness of the unfair decision.	A committee can meet monthly to consider the correction of the alleged unfair decision voiced by the family or non-family employee.	Committee that can be composed of a representative of family business employees, the human resources manager, and a family owner.
Step Four	Consistently applying decisions across people and over time.	Decisions must be free of bias and consistently be applied to all employees.	Family business decision maker, human resources manager, or advisors.

Source: (Samara & Arenas, 2017, p. 651)

Furthermore, Samara et al. (2017) also argue that promoting fairness does not require equal treatment of family and nonfamily employees regardless of their contributions. Instead, equal opportunities and equitable practices should be established.

In an integrative review about justice in the family firms, Marler et al. (2019) pointed out methodological difficulties of distinguishing reliable and valid measures for justice-related constructs and also family influence. Firstly, scholars still need to define what constitutes family membership and how family members should be identified the best. Defining justice often includes comparisons of treatment between individuals (Colquitt, 2001). In the family firm context, nonfamily employees may make these comparisons with individuals in the family group. However, it is difficult to determine which “family” is the reference group for a non-family employee. Family members’ perceptions of justice are affected by two systems, such as the family and the firm systems, but nonfamily employees are only affected by one system, which is the firm. While family members may share a common bond and vision for the firm, they may differ in their features and justice perceptions. That is why Marler et al. (2019) argue that one useful approach is to conduct research by including various family respondents in our study. Secondly, in the family firm context, another challenge is the operationalization of family influence.

3.3.5. The effect of family Influence on Perceived Justice of PM

As discussed before in Chapter 3.3.3, Kidwell et al. (2018) made propositions focusing on the genesis and how negative family influence is imprinted on the family subsystem as well as propositions related to entitlement and parental altruism that discussed how family influence might have an effect on HRM practices, including performance appraisal. Besides this, Kidwell et al. (2018) also highlighted how family influence might have an effect on the perceived justice of HRM practices through a sense of injustice in the family culture. According to this, Kidwell et al. (2018) proposed that families imprinted with a sense of injustice are likely to distort and reject HRM practices, thus promoting dysfunctional behaviors in the family firm (R. E. Kidwell et al., 2018, p. 11).

In this chapter, I describe in detail the possible moderating and mediating effects of different types of family influence on perceived justice of performance management that are discussed in the family business literature.

Moderating effect of controlling owner's self-control

Lubatkin et al. (2007) pinpoint a contingent role played by *self-control of the controlling owners at family businesses* by examining what the differential effects of the controlling owners' self-control are on the justice perceptions of the family and nonfamily employees. By doing so, Lubatkin et al. (2007) also highlighting how family firms' owners' justice decision-making for family and nonfamily employees provides a clearer understanding of family governance.

They stated that violations of procedural and distributive justice are positively associated with the firm's agency costs.

Regarding procedural justice in the case of both family and nonfamily employees, they suggest that the level of family firm owners' self-control moderates the relationship between their parental altruism and the probability that some employees will perceive a violation of any of the six procedural justice rules. Such that the relationship is positive at lower levels of self-control and harmful at higher levels. In this proposition, however, they also underline that the family employees' perceptions of procedural injustice are based on a different set of logic than non-family employees' perceptions. Family members' justice perceptions are open-ended and unmeasured. That means that there is no exact standard and timing for reciprocity among family members. They accept that family member specific needs might bias procedural decisions in the given moment as the positive effect of parental altruism. This kind of reciprocity among family members represents a family norm and is viewed within limits as being both fair and just. Therefore, Lubatkin et al. (2007) suggest that family employees are likely to have a broad zone of indifference, and they will perceive cases as unfair when the controlling owner's behavior exceeds the boundaries of their zone.

By contrast, nonfamily employees' relationships with controlling owners are less characterized by altruism. Their perceptions of procedural injustice are more close-ended and metered. It is also more driven by the logic of equal treatment and by the duty to reciprocate in kind and/or in proportion to the value of their contribution to the family firm's goal.

However, they willingly joined a family-owned company, and thus, they expect family employees to receive preferential treatment. On the other hand, at some point, controlling owners' behavior can also exceed their personal zone of indifference. As Lubatkin et al. (2007) stated, self-control could moderate this association. The more controlling owners are able to restrain their altruistic impulses, the less likely it is that their behavior will exceed the non-family employees' zone, and, thus, it is the more likely that these nonfamily employees perceive the procedures as fair.

Regarding distributive justice, in the case of family employees, they propose that the level of controlling owners' self-control moderates the relationship between their parental altruism and the probability that some family employees will perceive a violation of any of the three distribution rules. Such that the relationship is positive at lower levels of self-control and negative at higher levels.

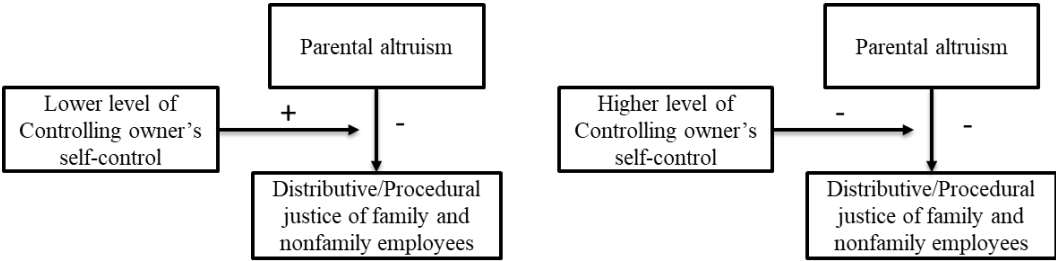
The reason behind this because three distributive justice rules (e.g., equity, equality, and need) are not entirely independent, and engaging in one rule will lead to the violation of the other two. In the absence of consistent self-control, parental altruism can effect family business owners to reject the adoption and application of a single allocation rule and instead vacillate between these three rules, depending on which need appears most salient to them in that given situation. Even a certain degree of vacillation is acceptable for family employees since they understand the need for an exception in the allocation of the resources, a free-riding of a sibling, or the

difference of preferences among family members can cause jealousy and the violation of fairness.

Regarding distributive justice, in the case of nonfamily employees, they propose that the level of controlling owners' self-control moderates the relationship between their parental altruism and the probability that some nonfamily employees perceive a violation of the relative equality distribution rule. Such that the relationship is positive at lower levels of self-control and negative at higher levels. This is based on the argument of Lubatkin et al. (2007). That means those nonfamily employees working willingly for family firms somewhat possess different distributive justice expectations than those working for nonfamily firms. That is why Lubatkin et al. (2007) suggest that the rule of 'relative equality' is a better fit to family firms context since by accepting employment nonfamily, employees should accept the unequal treatment as fair, as long as the degree of the inequality does not exceed their zone of indifference.

Figure 24 shows the moderating effect of the owner's self-control on the relationship between parental altruism and distributive and procedural justice.

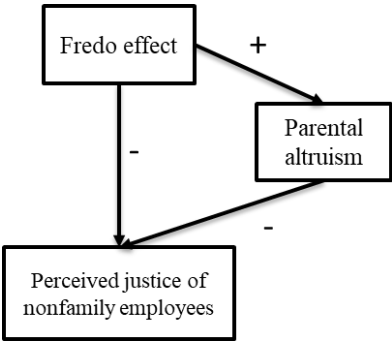
Figure 24 - The moderating effect of controlling owner's self-control on the relationship between parental altruism and distributive and procedural justice



Fredo effect and the mediating effect of parental altruism

As a consequence, when Fredos get away with behaviors that nonfamily employees cannot, nonfamily employees perceive injustice. That can cause withdrawal from the firm or engagement in similar types of damaging dysfunctional behavior. Ironically, the dysfunctional behavior of a Fredo can create additional feelings of guilt on the part of the leader and thus can foster even more parental altruism (see also in Figure 25).

Figure 25 - Fredo effect and the mediating effect of parental altruism on perceived justice of nonfamily employees



Effect of nepotism

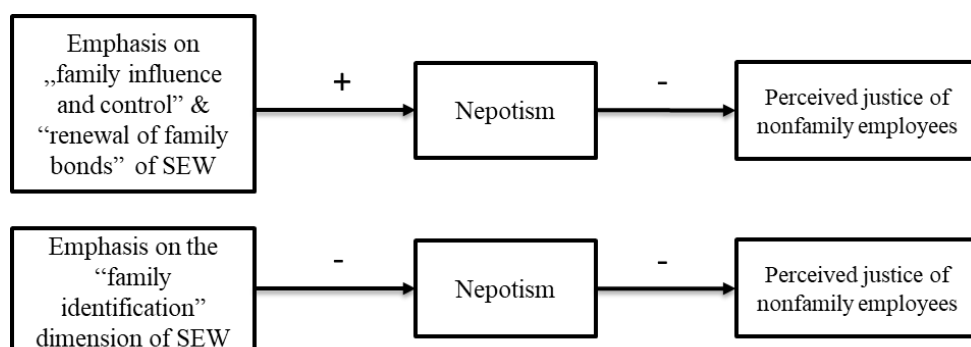
Firfiray et al. (2018) focus on why some owners are more likely to engage in nepotism than others. They also explain the contingencies under which nepotism may prove beneficial or harmful for firms, furthermore how specific human resources practices interact with environmental contingencies to influence the relationship between nepotism and performance. Their study is mainly built on contingency theory (Lawrence & Lorsch, 1967), social-emotional wealth theory (SEW) (Cruz et al., 2011), nepotism (Jaskiewicz et al., 2013), and the recent concept of “**mixed gambles**” (Bromiley, 2009). However, the authors narrowed down the definition of nepotism to that it is the hiring of family managers within the top management teams (TMTs) at family businesses.

The authors applied contingency theory and examined the effect of two environmental characteristics, such as environmental uncertainty and institutional environment, on the relationship between nepotism and firm performance.

According to them, there are positive and negative outcomes associated with nepotism. So that family firm owners are most probably consider nepotism as a “mixed gamble” in which they would have to weigh the possible gains and losses of the practice of nepotism in financial and socioemotional terms in tandem. Firfiray et al. (2018) proposed that family involvement may have a positive effect on company performance in case it supports circumstances in which specific HR practices ensure fairness toward nonfamily employees. These practices contain fairer HR policies regarding employee development, employee participation, and motivation (including performance appraisals, performance-related payment, and other incentives). While these practices may still prefer family members, they would also make sure to include mechanisms that protect the interest of nonfamily employees at the same time.

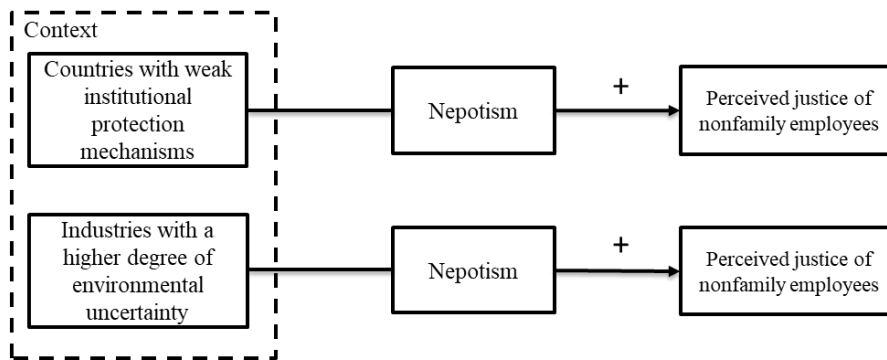
They argue that family owners who emphasize the “family influence and control” and “renewal of family bonds” dimensions of SEW will show a higher propensity to engage in nepotism. That is also in line with the single descriptive case study in a China-based family SME of Haslan et al. (2019). They found that nonfamily employees felt a sense of injustice stemmed from the owner’s involvement and nepotistic attitude. However, family owners who emphasize the “family identification” dimension of SEW will display a lower propensity to engage in nepotism (see also in Figure 26).

Figure 26 - Effect of different dimensions of SEW on nepotism



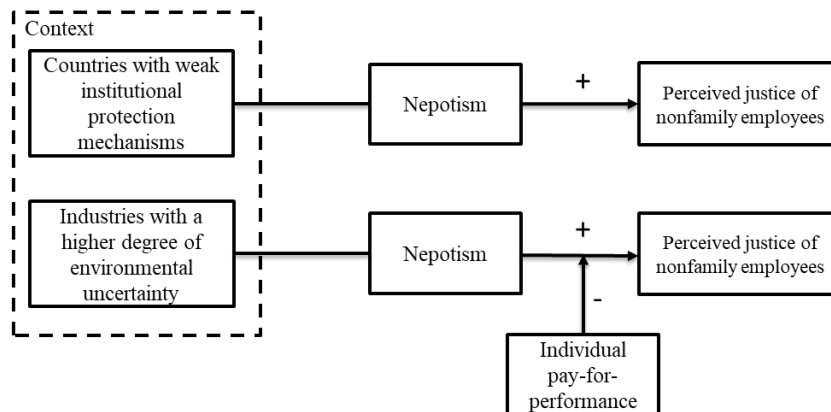
They also suggest that nepotism will be more positively related to performance in industries with a higher degree of environmental uncertainty and in countries with weak institutional protection mechanisms (see also in Figure 27).

Figure 27 - Effect of country-specific and industrial contextual factors on nepotism



However, they also highlighted that the application of individual pay-for-performance would more strongly decrease the positive effect of nepotism on performance in family firms operating in industries with a higher degree of environmental uncertainty relative to industries with a lower degree of environmental uncertainty. (See also in Figure 28)

Figure 28 - Moderating effect of individual pay for performance



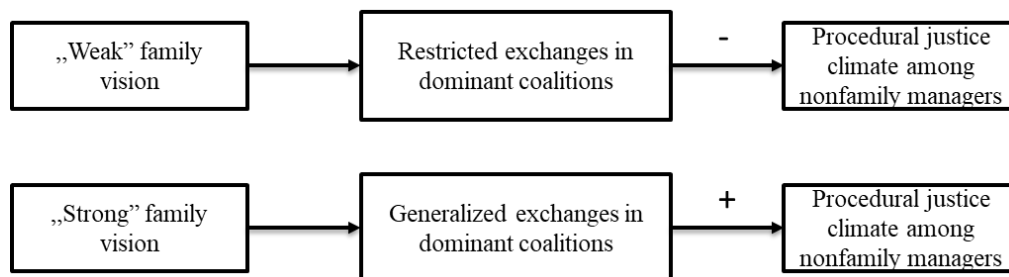
Incentive payments may be more dominant in uncertain environments, whereas in stable environments, it is easier for companies to allocate specific duties to their people and then monitor their efforts. In firms operating within uncertain environments, the management function of monitoring is highly challenging. Thus, employers are likely to transfer some of the risks they face to their employees. Firfiray et al. (2018) suggest that these practices will be perceived as more unfair within these family firms with a tendency of nepotism because the employees have little or no control over their performance.

Effect of family vision on procedural justice climate

Barnett, Long, and Marler (2012a) examined the impact of family vision and exchange systems on the procedural justice climate among nonfamily managers in the succession process by using two poles of the continuum of family influence, such as “weak” and “strong” family vision. They suggested that family involvement with a weak family vision will be associated with restricted exchanges in dominant coalitions, which will hurt the procedural justice climate among nonfamily managers. They argue that the weak family vision and restricted exchange systems of the dominant coalition probably promote decision processes that are inconsistent with procedural justice norms but instead reflect the short-term, direct, egoistic exchanges within the dominant coalition.

That means that unjust decision processes are more likely to occur, which are fraught with pitfalls of favoritism, asymmetric altruism, shirking, and free riding. That may be aggravated by the reluctance of family firms to establish formalized human resources decision processes that might protect procedurally just norms (Barnett and Kellermanns 2006a). On the contrary, family involvement with a strong family vision will be accompanied by generalized exchange, which should positively affect the procedural justice climate among nonfamily managers. In their study, the authors also assume that the extent to which nonfamily managers work to support or hinder succession in the family will be affected by their collective perception of a positive or negative procedural justice climate (Barnett, Long, and Marler 2012a). (See in Figure 29.)

Figure 29 - Effect of family vision on procedural justice climate among nonfamily managers



Although researchers have conceptualized individual-level justice constructs into agency-based or behavioral models of the family firm (Barnett and Kellermanns 2006a; Lubatkin, Ling, and Schulze 2007; Lubatkin et al. 2005), this is the first study, which considered the importance of the procedural justice climate in family firms.

However, there is some limitation of this conceptual study. Firstly, the measurement of family vision, exchange systems, and procedural justice climate can be challenging in future related researches. Secondly, its implication is restricted to nonfamily managers, excluding many vital workforces of family firms. Larger family firms have multiple departments, managers, and work units, which could experience multiple justice climates, depending on the unique interactions of the dominant coalition and work unit members.

3.3.6. Research gaps and future research questions

In the past decades, human resource management has received increasing attention in family business literature. However, HRM remains understudied in the family business context.

The study of Hoon et al. (2019) indicates a positive impact of HR practices on firm performance and identifies HR systems as a result of firm size or contextual conditions. Most of the studies are built on the assumption that positive performance implications in family firms are closely associated with the application of HRM, as well as with the need for professionalizing HR systems. Hoon et al. (2019) outline future directions for human resource management research in the family business, such as the influence of the owning family on human resource orientation, nonfamily employees as HR recipients, and the role of HR professionals in implementing human resource management.

There is a lack of research on family influence on perceived justice in a process-based view; and how the presence of family influences the perceived justice through performance management and appraisal system. Both family business and HRM research have a lack of study on actual functioning PM systems, including real performance data in a real work

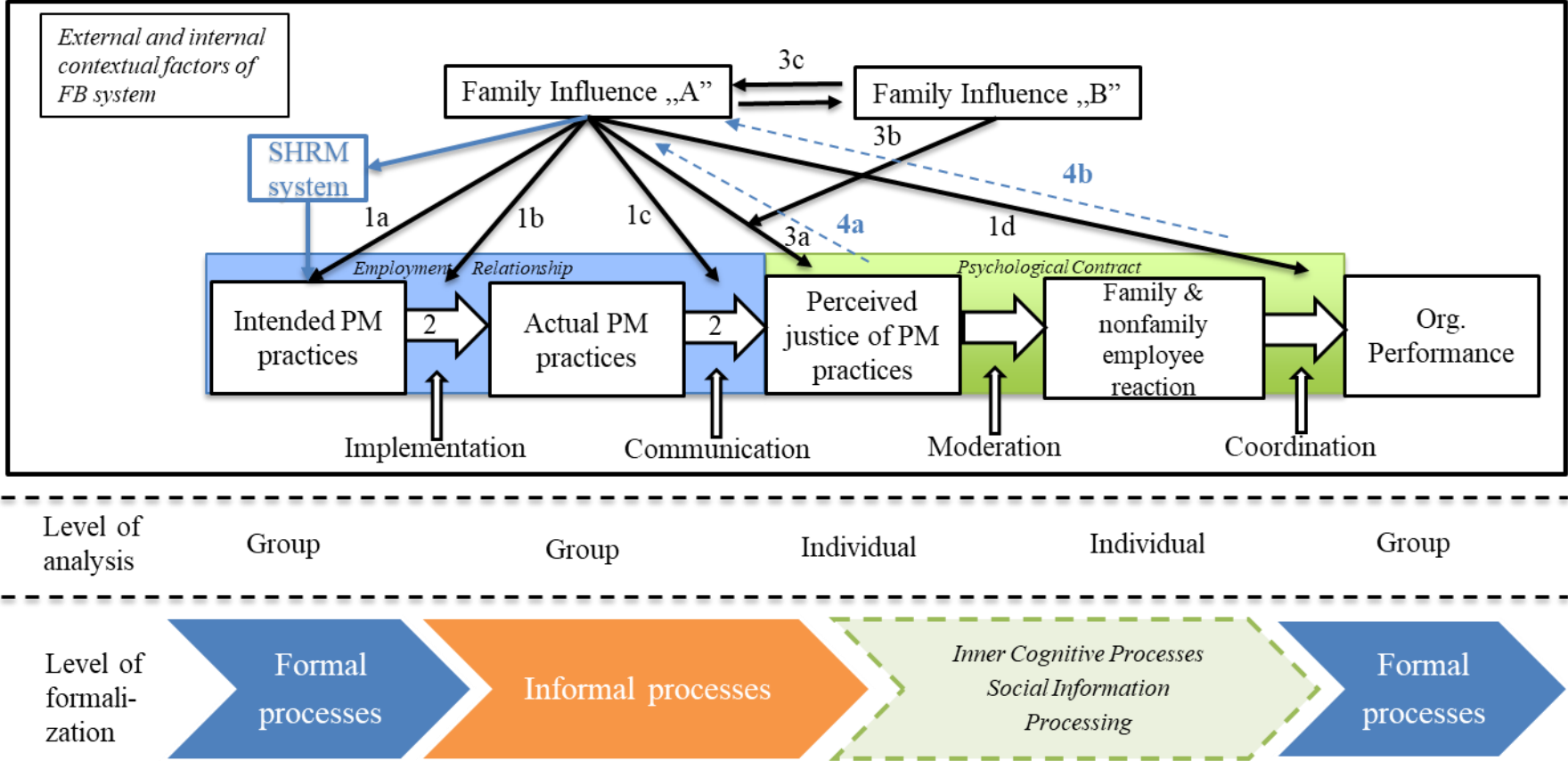
environment context. We have limited knowledge and understanding of how the different stakeholders interact with each other and how and why controlling families and their family members choose different ways to have an impact on perceived justice and fairness through PM processes.

3.3.7. Conceptual Framework

After this, I discuss the conceptual framework generated from the systematic literature review I completed. The conceptual framework stemmed from the adoption of two partly modified models: 1) the process model of PM (Farndale et al., 2011; Nishii & Wright, 2008) and 2) the model of Barnett and Kellermanns (2006) describing family influence on perceived justice directly and indirectly through HRM practices. However, I also banked the framework on the propositions made by Erdogan (2002).

The presence of family can influence perceived justice and its employee's reactions through the process of Performance Management in different ways. I discuss the conceptual framework with the propositions in the following structure. On the one hand, I highlight 1) the effect of family influence on PM (*Proposition 1, 1a, 1b, 1c, 1d*); 2) the effect of PM on perceived justice (*Proposition 2*); and 3) the effect of family influence on perceived justice of PM (*Proposition 3a, 3b, 3c*). Second, I point out that there is 4) an impact of the family business system on the family system as the consequence of family employees' and managers' perception of fairness through the performance management and appraisal processes (*Proposition 4, 4a, 4b*). Finally, I depict other elements of the framework, such as the inner cognitive processing of the participants and contextual factors.

Figure 30 - Conceptual Framework



1) The effect of Family influence on Performance Management

Family business scholars have already identified many sources of family influence that have a direct effect on the perceived justice of PM. That includes the level of family involvement (Barnett & Kellermanns, 2006); weak” and “strong” family vision (Barnett et al., 2012); nepotism (Firfiray et al., 2018); entitlement (R. E. Kidwell et al., 2018), injustice based on different distribution norms (Van der Heyden et al., 2005), parental altruism (R. E. Kidwell et al., 2013, 2013; Lubatkin, Ling, et al., 2007); parent-child relationship (R. E. Kidwell et al., 2013); flexibility and cohesion of family (Daspit et al., 2018); boundary permeability of family owners (Jennings et al., 2018); controlling owners’ self-control (Lubatkin, Ling, et al., 2007) and biological discrimination of the family owners (Jennings et al., 2018); Fredo effect (R. Kidwell et al., 2012; R. E. Kidwell et al., 2013).

There are three lenses of the PM process model applied by Farndale, Hope-Hailey, and Kelliher (2011), based on the SHRM framework of Nishii and Wright (2008):

(1a) *Intended PM practice* as planned by family owners and embedded in written procedures and documents;

(1b) *Actual PM practice* as enacted and implemented by different family and nonfamily managers;

(1c) Family and nonfamily *employee’s experience and perception* of the PM practice regardless of the original intentions based on communication and social exchange with the line- and top management.

Besides this, (1d) the presence of family influences the possible organizational outcome of perceived justice of performance management practice through coordination.

Proposition 1

The presence of family has an impact on the antecedents and consequences of perceived justice of performance management practice of family and nonfamily employees in four ways: planning, implementation, communication, and coordination.

1a) The effect of family influence on intended PM practice

Imprinting mechanism

Based on the framework of Simsek et al. (2015), a negative manifestation of *imprinting* in the family subsystem may transfer to the family business to affect PM practices. Accordingly, the potentially negative behaviors and values, such as entitlement and parental altruism, may be imprinted on the family subsystem (genesis). Then, these learned behaviors and values transfer to the family firm subsystem and may permeate into the organizational culture in which the family values are imprinted on the organization, such as PM systems and the employees connected to it (metamorphosis). (R. E. Kidwell et al., 2018) Kidwell et al. (2018) proposed that families imprinted with a sense of entitlement are less likely to use formalized PM practices for family employees than for nonfamily employees. That could meanwhile, nonfamily employees are subject to the performance appraisals, family employees hardly participated in these practices. Additionally, families imprinted with strong parental altruism are likely to manipulate PM practices to benefit their adult-children working in the family firm. Thus,

altruistic parents seldom give constructive feedbacks and reviews to monitor and discipline their children, causing them to misperception about their poor performance.

Bifurcation

Bifurcation bias as an effect of family firm professionalization arises when this kind of unequal treatment is economically inefficient for the family firm but remains uncorrected in the long run. Bifurcation bias occurs as an asymmetric treatment of family and nonfamily employees within PM that manifests through organizational-level HR managerial practices systematically and by default (Verbeke & Kano, 2012). The model of Jennings, Dempsey, and James (2018) enrich the conceptualization of Barnett and Kellermanns (2006) by providing a set of more specific constructs, such as the concepts of weak versus strong family-favored bifurcation, weak versus strong nonfamily-favored bifurcation, and bivalent bifurcation PM practices. They also propose that owning family characteristics, such as biological discrimination by the owner and family boundaries, contribute to the various forms of bifurcation. Depending on the level of biological discrimination, PM practices are more likely to exhibit (strong or weak) family-favored bifurcation than no bifurcation, bivalent bifurcation, or (strong or weak) nonfamily-favored bifurcation. Family owners who exhibit greater selective attachment to their family employees tend to establish stronger family-favored bifurcated PM practices. Concerning family boundaries, PM practices are likely to show either bivalent or no bifurcation when the owners collectively have a more open than a closed view of the family boundary. (Jennings et al., 2018)

In contrast to Verbeke and Kano (2012), Jennings, Dempsey, and James (2018) argue that PM practices likely cause some degree of resentment on behalf of both family and nonfamily employees due to being treated in a non-differentiated way. Thus, they propose that the elimination of bifurcated HR practices will cause attitudinal and behavioral reactions from family and nonfamily employees that are dysfunctional for the family business's performance.

Formalization

Many researchers highlighted the significance of formalization of both performance management processes (R. E. Kidwell et al., 2013; van der Merwe, 2009; van der Merwe et al., 2012) and other management coordination mechanisms related to linking individual performance to performance at the organizational level (R. Kidwell et al., 2012; van der Merwe, 2009).

Kidwell et al. (2013) suggested that Fredos should be held to the same standards as nonfamily employees regarding performance appraisal practices to support formalization and hinder bifurcation bias. The work of family employees should be reviewed and monitored, and detailed performance review records should be kept. In the case of family leaders, they should not be the sole person to conduct performance appraisals. Instead, they should include nonfamily employees and consider anonymous 360-degree performance appraisals fostering objectivity in the review process. A formal appraisal process can foster a culture with merit and diminish any sense of entitlement that family members may feel.

Some researchers emphasize that the interaction between formal and informal PM practices could cause additive, synergistic and substitutive effects, with one alternative excluding the other (Delery, 1998; Pittino et al., 2016). (Pittino et al., 2016). However, other scholars argue that effective HR practices should be balanced between formal and informal PM practices (Haslan et al., 2019; Mustafa et al., 2018). That also reflects the good balance between instrumental governance mechanisms focusing on a monitoring approach and normative mechanisms focusing on collaborative efforts among family and nonfamily employees (Eddleston et al., 2018). Pittino et al. (2016) suggest that even if there is a need to implement

formal PM management practices to reduce the perception of procedural injustice and nepotism (Barnett & Kellermanns, 2006), investments in formalized PM beyond a certain level would actually just be redundant, since there are informal mechanisms stemmed from the family influence can act as substitutes of various formal ones, such as strong family vision with generalized trust-based social exchange and leader-employees exchanges.

Daspit et al. (2018) give more explanation of the family-related antecedents of formalization of PM-related practices by applying the family systems theory and Circumplex Model of Marital and Family System (D. H. Olson et al., 1979).

Daspit et al. (2018) describe that the structure of a family system has an impact on the structure and effectiveness of the family business system. Thus, an unbalanced family structure characterized by two dimensions (i.e., cohesion and flexibility) can lead to a form of bifurcation bias or the asymmetric treatment of family and nonfamily employees via PM practices. The argument of Samara and Paul (2019) explains why family businesses operate based on many informal rules, procedures, and norms that form the fairness perception of their employees. (Lansberg, 1989)

Proposition 1a

The presence of family affects planned performance management in terms of the level of bifurcation and formalization.

1b) The effect of family influence on actual PM practice

Performance management systems are usually implemented differently from what has been planned initially (Haslan et al., 2019).

Based on the process model by Nishii and Wright (2008), there is a difference between PM practice intended by top management and PM practice implemented later on by different family and nonfamily line managers. Consequently, I argue that the presence of the family can influence PM through its implementation and communication. Nonfamily and family line managers act as an interpreter of formal practices and influence informal PM processes (Schleicher et al., 2018). That offers the possibility that the execution may vary from what was intended by top management to what is experienced by employees (Nishii & Wright, 2008) since how they are implemented may be formed by line managers themselves.

Family businesses may hire trusted nonfamily managers from their social network that may mitigate the assumed conflicts of interest among family and nonfamily employees. The pursuit of socioemotional goals at the family level fosters the quality of the social exchange with nonfamily managers. Thus, family-owned businesses are more likely to create a more robust reciprocal stewardship culture. Nonfamily managers may have pro-organizational behavior. Thus, their goals are not as divergent from the family firm owner's goals compared to their nonfamily counterparts. They may also prefer less formal and less bureaucratic structures that family firms can provide. Family firms may choose to establish less formalized PM systems with the possibility of more uncertainty and conflicts of interest rather than formalize their governance because of the negative impact formalization might have on their organizational culture (Stewart & Hitt, 2012). In case of coordination, they compensate their less formalized, bureaucratic system with a more robust organizational culture with focusing on long-term orientation and goal alignment and with a high level of social exchange and communications. Consequently, family businesses may put more emphasis on recruiting, selecting, and socializing family and nonfamily managers in line with their values and norms.

Besides the significance of the line manager-employee relationship, family businesses with high trust in controlling family owners and top management have both higher levels of commitment. They indicate a more reliable link between employee perceptions of fair treatment by their line managers during performance appraisal and organizational commitment (Farndale & Kelliher, 2013). In line with this, Jennings, Dempsey, and James (2018) argue that dysfunctional implications for the work-related attitudes and behaviors of family and nonfamily employees can be diminished. Family owners can do this by open communication and flexible negotiation about the nature and rationale for asymmetric PM policies and practices planned and implemented previously.

Proposition 1b

The presence of family influences the actual performance management practice through line-managers' implementation, leading to more efficient informal PM practices.

1c) The effect of family influence on perceived/experienced PM practice

As discussed before, Samara and Paul (2019) differentiate justice and fairness as two distinct ethical norms. Justice refers to “adherence to rules of conduct”; fairness refers to “individuals’ moral evaluations of this conduct” (Goldman & Cropanzano, 2015b, p. 313), and thus it is a subjective perception of whether rules of conduct are ethical and fair (Goldman & Cropanzano, 2015b). From a socioemotional wealth perspective, family-owned businesses pursue not only economic goals but also noneconomic, socioemotional goals related to the family. That means if rules and regulations are implemented to evaluate and reward employees who contribute to economic goals while discriminating against employees who contribute to socio-emotional goals. Even adherence to these rules of conduct will improve justice. It will violate fairness perceptions among family employees at the same time. Thus, the scholars argue that the utilitarian conceptualization of justice may come into direct conflict with fairness perceptions in family businesses. Since justice measures will not automatically lead to fairness at family business, where socioemotional goals are also important and where in addition an employee or a manager can be a family member as well. Controlling family owners have to acknowledge and be vocal about that a family business is subject to significantly different context than a non-family business and thus they must establish justice measures that take into account both economic and socioemotional goals.

Proposition 1c

The presence of family influences the experienced/perceived performance management practice through its communication by top and line-managers that leads to more efficient informal PM practices.

1d) The effect of family influence on the outcome of PM practice

The formalization of other management mechanisms, including organizational structure, defining teams, delegating team tasks, the scope of authority, and division of responsibilities, are positively related to performance at the organization level by channeling individual work-related attitudes and behaviors effectively to company performance. Researchers emphasize the importance of setting clear policies for family member employment, formal job description, and rules and expectations (R. Kidwell et al., 2012) and performance measurement and performance-based compensation before the family members join the family firm (van der Merwe, 2009).

Proposition 1d

The presence of family influences the possible outcome of perceived justice of performance management through coordination, such as defining organizational structure (a division of tasks, scope of authority, types of coordination, and configuration).

2) The effect of PM practice on perceived justice

In family businesses, the different stakeholders have difficulty coming to an agreement on an entirely fair distributional outcome in the family business system. A possible solution may derive from principles of procedural justice that is from the degree of fairness of the process applied to resolve conflicting claims from various stakeholders in the family business system (Van der Heyden et al., 2005). According to Van der Heyden, Blondel, and Carlock (2005), a fair process in family firms as a dual construct including both a description of the steps explaining a decision-making process perceived as fair and five characteristics these steps must include. Firstly, the decision-making process consists of five iterative steps: (1) Framing and engaging, (2) Exploring and eliminating, (3) Deciding and explaining, (4) Implementing and executing, (5) Evaluating and learning. Secondly, there are five main criteria, which are essential to the effectiveness of the fair process in family firms, such as (1) communication and voice, (2) clarity of information, process, and expectations, (3) consistency across people, over time, and with agreed values and norms, (4) changeability of decisions, process, goals, and principles, (5) commitment to fairness.

Samara et al. (2017) suggest that a combination of equality and equity should be in place in the family business in order to ensure fairness between family and nonfamily employees. Accordingly, they propose four steps and a prerequisite as a possible solution. In contrast to Van der Heyden et al. (2005), the authors pointed out that they understand the commitment to fairness to be a prerequisite rather than a final step.

Additionally, Barnett, Long, and Marler (2012a) highlighted the relevance of the procedural justice climate in family firms by focusing on a shared justice perception by nonfamily employees group members.

Regarding particularly interactional justice, which comprises two components: informational justice and interpersonal justice, there is limited information in the family business literature review.

Proposition 2

By differentiating between the two concepts of justice and fairness, family firm leaders pursue to achieve a high level of fairness rather than a high level of justice among family and nonfamily employees in the PM processes.

3) The effect of family Influence on Perceived justice of PM

Despite the significant amount of theoretical and empirical research about the different forms of family influence, the antecedence and consequences, as well as the nature of their relationship, remains unclear. The various forms of family influence may interact with each other in various ways. One type of family influence may have a mediator or moderator effect in the relationship between perceived justice and another type of family influence. By looking at the drivers of the Fredo effect, Fredos can occur for many reasons under numerous circumstances and consequences of another type of family influences, such as nepotism,

negative parent-child relationship, and permissive parenting style, rivalry among siblings, parental altruism, and the differing norms between the family and business domain. (R. E. Kidwell et al., 2013)

Lubatkin et al. (2007) propose the moderating effect of controlling the owner's self-control on the relationship between parental altruism and distributive and procedural justice. When Fredos get away with behaviors that nonfamily employees cannot, nonfamily employees perceive injustice, which can cause withdrawal from the firm or engagement in similar types of damaging dysfunctional behavior. However, this dysfunctional behavior of a Fredo can create additional feelings of guilt on the part of the leader and thus can foster an even more parental altruistic attitude, which becomes a mediating effect of Fredo in this way. Barnett, Long, and Marler (2012a) suggested that family involvement with a weak family vision will be connected with restricted exchanges in dominant coalitions, which will harm the procedural justice climate among nonfamily managers. Family involvement with a strong family vision will go together with a generalized exchange, which should positively affect the procedural justice climate among nonfamily managers. Research also shows that family firms with "family influence and control" and "renewal of family bonds" dimensions of SEW will show a higher propensity to engage in nepotism (Firfiray et al., 2018; Haslan et al., 2019). Family owners who emphasize the "family identification" dimension of SEW will display a lower propensity to engage in nepotism (Firfiray et al., 2018).

Proposition 3a

Family Influence has a direct effect on the perceived justice of Performance Management.

Proposition 3b

The various sources of family influence may interact with each other so that one source of family influence may have a moderator effect in the relationship between another source of family influence and perceived justice of Performance Management.

Proposition 3c

The various sources of family influence may interact with each other so that one source of family influence may have a mediator effect in the relationship between another source of family influence and perceived justice of Performance Management.

4) The impact of the family business system on the family system

The structural features (such as the scope of authority and division of responsibilities) and the level of formalization and clarity of policies can determine the possible extent of the Fredo effect and paternal altruism later on in the next performance appraisal phase. That is why succession in management can have an impact on the family influence on the future of performance management and appraisal systems regarding all dimensions of SEW. The possible successors may take charge of implementation or modification of performance management and appraisal system, which also helps them to demonstrate their competence (Sundaramurthy, 2008). However, they may have their own experience about setting goals, monitoring performance, and receiving feedbacks and reviews both in the family business system and in the family. Successors and family members may initiate talks and discussions about the evaluation of performance both in the family and the family business systems. Kidwell et al. (2018) highlighted that the next generations of family firm leadership are more

likely to initiate an effective re-imprinting process that can cause positive changes in HRM practices. That indicates that the change in management and ownership structure gives a possibility to create practices and behaviors that re-imprint the family firm with new cultural elements that lead to more effective performance appraisal practices, which are more formalized and transparent.

Proposition 4

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the performance management and appraisal processes directly and later on indirectly by the modification of coordination mechanisms.

Proposition 4a

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness of the performance management and appraisal processes.

Proposition 4b

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the performance management and appraisal processes indirectly by modification of coordination mechanisms (e.g., modifying division of tasks and scope of authority by appointing family or nonfamily managers).

Other elements of the conceptual framework

Cognitive processing of participants

Employees' perceptions of HR practices and processes are likely antecedents of employee reactions (attitudes and behaviors). Employees have different information processing schemas, motivations, values, attitudes, experiences, personality, and demographic backgrounds to bear on their perceptions and interpretations of, as well as reactions to organizational situations and experiences, such as the actual PM practices (Farndale et al., 2011; Farndale & Kelliher, 2013; Nishii & Wright, 2008).

Professionalization may create two distinct groups of employees: family and nonfamily employees (Cruz et al., 2011). Family and nonfamily employees as recipients of performance management and appraisal practices, whose perceptions and responses to these practices are essential. (Combs et al., 2018; Gagné et al., 2014; Hoon et al., 2019). Because of the systemic nature of the family businesses, family and nonfamily employees are likely to assess the fairness of particular outcomes with very different criteria. Whereas families and their members tend to allocate resources based on need, nonfamily managers and employees tend to allocate firm resources based on merit and performance systems (Van der Heyden et al., 2005). However, there may be various distributional norms not just between family and nonfamily employees but among family employees based on their contributions. Depending on their family firm position, it is also possible that some family employees may feel like being part of the outsider group, while other non-family employees may feel like being part of the more trusted insider group (Gatfield & Youseff, 2001; Lind & Tyler, 1988). Additionally, the relevance of the procedural justice climate in family firms as a shared justice perception by different groups can be extended in future research (Barnett et al., 2012). Moreover, the study of Sieger et al. (2011)

gives more insight into the inner cognitive process of nonfamily employees after the implementation and communication of PM practices and the interaction of their line managers during the performance appraisal interview. Sieger et al. (2011) pointed out that psychological ownership of nonfamily employees toward the family business mediates the relationships between affective commitment and job satisfaction, and distributive justice. On the other hand, fair process in the context of appraisal interviews is not able to generate ownership feelings shows that nonfamily employees rather regard the superior responsible for justice, and that this evaluation is not transmitted to the family firm organization overall. In line with the proposition of Erdogan (2002) rater procedural justice rather leads to Post-Appraisal LMX, which is less likely to have an effect on leader-related outcomes and performance-related behaviors than organizational outcomes.

Overall, based on the literature review, we have limited knowledge about the Inner Cognitive Processes of family and nonfamily managers on the individual level regarding performance management systems. Fairness perception is one of the employees' reactions to the PM system, and it has been recognized as an important criterion in judging the effectiveness and usefulness of performance appraisal since not just the validity and reliability of the measurement tools. However, the individual justice perceptions of these tools and practices affect employees' attitudes and behavior (Ikramullah et al., 2016). Both nonfamily and family employees are the recipients of PM systems, and their performances are subjects to that (Farndale et al., 2011). That is why I argue that fairness of PM perceived by family employees can have a reflection on the presence of family in family businesses.

Contextual factors

Based on contingency theory, there is no universal or best way to manage all organizations; rather, each organization as an open system should fit with its situation created by its internal and external environment to achieve effectiveness and efficiency. The design of an organization and subsystems must have a proper fit with the environment, and its subsystems should also be consistent with one another (Lawrence & Lorsch, 1967). There is an interrelatedness among the HR systems. Thus, recruitment, selection, and socialization of nonfamily managers and employees play a key role in the implementation and their fairness perceptions of PM in case of the dominance of informal PM practices, whereas the level of significance of incentive-based payment in compensation system leads to more formalized PM systems.

In the literature review, I identified several findings on the impact of various contextual findings.

Regarding family influence, Firfiray et al. (2018) suggested that nepotism is more positively related to performance in industries with a higher degree of environmental uncertainty and countries with weak institutional protection mechanisms. Furthermore, there is a moderating effect of individual pay for performance. So its application more strongly decreases the positive effect of nepotism on performance in family firms operating in industries with a higher degree of environmental uncertainty relative to industries with a lower degree of environmental uncertainty (Firfiray et al., 2018). Kidwell et al. (2018) highlighted that the next generations of family firm leadership are more likely to initiate an effective re-imprinting process, while findings also show that harmful family influence on employment practices increases with both firm age and with heightened family involvement (Neckebrouck et al., 2018).

Studies argue that formalization depends on small- and medium-sized firms (de Kok et al., 2006). Besides this, family businesses are less likely to employ non-family managers (Tabor et

al., 2018) and apply formal processes if they operate in industries with difficulty in monitoring (Fang et al., 2017), or in countries with weak legal structures (Lien & Li, 2014). Accordingly, Steijvers et al. (2017) pinpointed that family businesses with a family CEO have more formal HR processes than those managed by a nonfamily CEO owing to higher levels of goal alignment and intentional trust between the family and family CEO. Furthermore, family businesses managed by first-generation family CEOs and family CEOs with a higher education implemented more formal HR practices. However, Pittino et al. (2016) found that the implications of family businesses' informal HR practices on retention depend on family involvement, regardless of the family status of the CEO. Family businesses may attract employees whose motivational profile is consistent with the culture and the value system of the family firm (Pittino et al., 2016) in line with the theory of person-organization fit (Memili & Barnett, 2008).

There is an assumption that a more professional HR system leads to positive performance effects (Astrachan & Kolenko, 1994; Hoon et al., 2019). However, in the case of “reversed causality” (den Hartog et al., 2004), successful family businesses with high profitability might increase the willingness of the management to invest in formalized HR practices rather than vice versa. High firm performance can also affect employees' commitment, trust, and motivation as much as the other way around.

Regarding national culture, Samara et al. (2019) emphasize that in collectivist cultures, family businesses will attribute high importance to achieving goals of sustaining influence and control and enriching family members, causing bifurcated compensation that prefers more family employees. In contrast, in an individualist culture context, family businesses will attribute less importance to achieving socioemotional wealth goals of family enrichment and influence and control and more importance to family prominence, causing bifurcated compensation that prefers nonfamily employees. Furthermore, Power distance moderates the negative relationship between bifurcated compensation practices preferring Fredos and nonfamily employees' work inputs, such that this relationship will be stronger in countries with low power distance cultures. On the other hand, power distance moderates the negative relationship between bifurcated compensation preferring nonfamily employees and qualified family employees' work outcomes, such that this relationship will be stronger in countries with high power distance cultures. (Samara et al., 2019).

4. Methodology

4.1. Case study research

The chosen method of answering the research questions is case study research. A case study is an empirical study that “investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”(Yin, 2009, p. 18). The existence and strength of the various factors appearing in the context and in the phenomenon cannot be predicted (Gerring, 2006; Yin, 2009). A case study research deals with the technically distinctive situation in which there are many more variables of interest than data points. It is based on multiple sources of evidence, with data needing to converge in a triangulating fashion. The subject, direction, and process of data collection and analysis are determined by the prior development of the theoretical propositions. (Yin, 2009)

There is very little research both in the field of Family Business and in Human Resource Management, which is conducted with managers and employees in real work settings (A. S. DeNisi & Pritchard, 2006; De Massis & Kotlar, 2014).

The nature of the research questions by asking “how” points to this methodological instrument. It is not possible to realize the total control of participants, the characteristics of participants, and the behavior of the researchers. Contextual factors of the Performance Management process stemming from the family business and their social and natural environment can also not be controlled. Thus, an experimental design could not be applied in this case either. Case study research should be applied under these circumstances (Gerring, 2006; Yin, 2009).

The chosen type of case study research is a Multiple Embedded Case Study, which means that I considered and investigated more than one case. The subject of the investigation was the family business system. At each family business system, I observed five levels: the employee level, the organizational level of the company, the individual level of family members actively engaged in the operation of the firm, the family system level, and the overarching family business level.

4.2. Sampling

In qualitative sampling, purposive sampling will be applied. There is a dispute about what qualifies as purposeful sampling in the qualitative research methods literature (Palinkas et al., 2015). It consists of identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & Plano Clark, 2011); available and willing to take part in, and have the ability to communicate in a reflective manner (Spradley, 1979).

Mainly because of the heterogeneity of family firms, there is no general consensus about the definition of family business among scholars. Family businesses cannot be characterized by a specific legal form, a certain size in terms of employees or turnover, and they can be found in almost every industry. I observe three factors as a filtering criterion for selecting family businesses with no exception: 1) a self-perception of being a family business, 2) presence of dominant family control at the firm, or 3) at least 50% family ownership of the firm.

Finally, I selected cases for the research in which family businesses are in the implementation phase of the succession process (Decker et al., 2017), and the next generational family member is already part of the top management team. I assumed that the succession process could also foster professionalization in the field of HR at family firms.

The object of observation is family business. The goal is to observe how the process of Performance Management and Appraisal Systems of three or four family businesses in Hungary operate. I inspected family businesses in which some kind of formal performance management processes are implemented, such as written rules and procedures. Formal PM shows the conscious management of the HR function by the management. That can work as a filter criterion. Since the existence of the performance management system indicates that there is a certain level of professionalism at the firm. As an implication, sole proprietorships and micro-enterprises are not examined; only bigger small and medium-sized enterprises with more than 100 employees can be included in the sample. I chose companies, which are not operating in the agriculture or service sector, have no piece production, have a headcount of over 100 employees, and there is an ongoing family leadership succession process in the advanced state. To control the effect of macro-environmental factors as inputs of PM as much as possible, I examined the selected cases for my research, which located in the same quadrant of the model of Ikramullah et al. (2016), such as the rational goal model (control and external focus), which comprises planning, goal setting, and efficiency. This model tries to create a link between clear and certain organizational goals and performance improvement. To increase effectiveness, firms set goals, develop plans, and then take action to accomplish these goals.

I sent out a call to participate in the research in October 2020 (with all the filtering criteria such as ongoing family leadership succession process in the advanced state; no piece production; not operating in agriculture and service sector; head quant of over 100 employees). I sent out general information to the board of Family Business Network Hungary (hereinafter FBN-H), the largest family firm organization in Hungary. As a result of my call, six companies showed interest in participating in the research. According to Yin (2009), in the case of multiple-case studies, each case must be carefully selected so that it is either a literal replication, which predicts similar results, or a theoretical replication that predicts contrasting results but for anticipatable reasons.

After the first interviews conducted, two of the six family businesses, although being large company prove to be not fit all research criteria. And that is why I used these two companies as counter examples, while the other four cases are selected as literal replication.

However, in this dissertation, I analyzed the four literal replications in detail, while both theoretical replications are subject to further research.

In the first case, due to the size of the company with more than 500 employees, a formalized performance management and evaluation based on the management literature would already be justified. At the same time, the succession has not yet begun at the company. Even the next generation has already been working there; the predecessor is in full control of the management and evaluation process by organizing the organization into smaller companies in a company group. There is market control over the leaders of the small or medium-sized companies, while within each company, clan control prevails. Therefore, there is no need for formal performance management and appraisal systems. (Interview_F_U1)

In the second case, succession has begun; however, the company has piece production with more professionally trained people. It is difficult to formalize both the production process and the associated performance appraisal. The performance evaluation is subjective and person-centered. It aims to strengthen the commitment to the leader and the organization. (Interview_E_U1)

Table 8 shows the details of the four Family Business Cases.

Family Business “A” and “B” produce in mass production, while the production size of Family Business “C” and “D” is small or medium. Company “A”, “B”, and “C” operate in the food processing industry, while Company “D” is committed to the metal industry. Company “A” is the biggest company with around 1500 employees, Company “D” is the second largest, while Company “B” and “C” have around the same size in the sample. All family business is led by a family CEO, while company “B” and “C” have family HR manager as well.

Table 8 - Descriptive Table of the Family Business Cases

	Characteristics	Company "A"	Company "B"	Company "C"	Company "D"
Family Involvement	Family involvement in ownership	30%	100%	100%	100%
	Family involvement in management	67%	16%	33%	25%
	Family CEO	Yes	Yes	Yes	Yes
	Number of family owners	2	4	2	2
	Number of family employees in management	4	4	4	1
	Number of family employees	4	7	4	5
	Number of generations	2	2	2	2
	Founding generation in the operational level of management	No	Yes	No	Yes
	Family HR manager	No	Yes	Yes	No
Family Business features	Size (number of employee)	1500	250	220	560
	Industry	Food industry	Food industry	Food industry	Metal industry
	Production-size	Mass production	Mass production	Small or medium	Small or medium
	Diversification	Low	Low	Low	Low

Analyzing the evidence

My general analytic strategy relied on two strategies: relying on theoretical propositions and using both qualitative and quantitative data. The first and most preferred strategy is to follow the theoretical propositions stemming from my research question after the literature review. The propositions can shape my data collection plan and, therefore, can give priority to the relevant analytic strategies. The qualitative data related to perceived justice may be critical in explaining my case study’s key propositions as well (Yin 2009).

Related to the theoretical propositions, firstly, I use a *pattern-matching logic* to examine those models, which have been already discussed in the literature, such as the model of Sundaramurthy (2008) about the Sustaining Cycle of Trust at Family Businesses.

Secondly, I apply an *explanation-building analytic technique* as well, which is a special type of pattern matching. In this case, my aim is to analyze the case study data by explaining the case and generating hypotheses and new ideas for further studies. These explanations could have reflected my theoretical propositions developed in the literature review process previously. According to Yin (2009), the explanation building technique is an iterative process, which includes the following activities during the analysis:

- Making an initial proposition about the social behavior
- Comparing the findings of an initial case against such a proposition
- Revising the propositions
- Comparing other details of the case against the revision
- Comparing the revision to the facts of a second, third, or more cases
- Repeating this process as many times as is needed (Yin, 2009, p. 143)

A case study protocol is necessary in case of conducting a multiple case study. The case study protocol must be addressed to a single case within a multiple case study. It includes not just the instrument but also the procedures and general rules to be followed. The protocol is directed at an entirely different party than that of a survey questionnaire. The protocol can foster the reliability of the research and aims to guide the researcher in carrying out the data collection from a single case within a multiple case study (Yin, 2009).

A case study protocol has the following sections: 1) An overview of the case study project, 2) Field procedures, 3) Case study questions, 4) A guide for the case study report.

It is possible to use multiple methods in any study (e.g., a survey within a case study). In other words, case study research can go beyond being only qualitative research by using a mix of quantitative and qualitative evidence.

4.3. Qualitative Data Collection and Analysis

4.3.1. Semi-structured interviews – data collection and analysis of content

Table 9 shows the details of the interviews. I conducted 18 interviews with ten family managers and eight non-family managers between 29 October 2020 and 12 April 2021. There was an equal number of male and female interviewees. Twelve Teams/Zoom interviews, five telephone interviews, and a personal interview were recorded.

In every four cases, I conducted interviews with the predecessor and successors, family or nonfamily CEO or the member of the top management team, HR manager, and at least one non-family manager, who can have a critical voice and/or relevant information about the PM. I also gathered information from employees and managers by using questionnaires of justice and fairness perception.

In each case, I have at least 3-4 interviews. In the case of the Family Business Case “C” in agreement with the management, I interviewed more than one middle manager at different levels to learn about their roles and perceptions about the fairness of performance appraisal and the effect of the controlling family. In this case, only a few questionnaires were likely to be completed at the employee level since performance appraisal and performance-based payment was only introduced at the top and middle management levels. I interviewed two shift managers and two plant managers from different areas in that case.

Table 9 - Descriptive Table of the Interviews

#	Avatar	Company	Interview type	Interview duration	Age	Gender	Position	Ownership/ Participation in Succession	Family/Non-Family employee	Family role
1	A_U1	A	Personal	1 h 17 min	30-40	female	Member of BoD	Successor	Family	Daughter
2	A_E2	A	Zoom/Teams	40 min	60-70	male	Member of supervisory board	Owner/Predecessor	Family	Father
3	A_HR3	A	Zoom/Teams	1 h 6 min	50-60	female	HR manager	-	Non-family	
4	A_LM4	A	Telephone	43 min	30-40	male	Sector manager	-	Non-family	
5	B_U1	B	Zoom/Teams	1 h 46 min	20-30	female	HR manager	Owner/Successor	Family	Daughter
6	B_LM2	B	Zoom/Teams	45 min	30-40	male	CFO	-	Non-family	
7	B_E3	B	Zoom/Teams	1 h	50-60	female	Executive manager	Owner/Predecessor	Family	Mother
8	C_U1	C	Zoom/Teams	1 h 30 min	40-50	female	Executive manager	Successor	Family	Daughter
9	C_HR2	C	Zoom/Teams	1 h 39 min	40-50	female	HR manager	-	Family	Son's wife
10	C_LM1	C	Telephone	43 min	30-40	male	Plant manager	-	Non-family	
11	C_LM2	C	Telephone	47 min	50-60	female	Shift manager	-	Non-family	
12	C_LM3	C	Telephone	1 h 1 min	20-30	male	Plant manager	-	Non-family	
13	C_LM4	C	Telephone	35 min	30-40	male	Shift manager	-	Non-family	
14	D_U1	D	Zoom/Teams	2 h 23 min	20-30	female	Executive manager/Advisor	Owner/Successor	Family	Daughter
15	D_LM2	D	Zoom/Teams	37 min	40-50	male	CFO (incl. HR)	-	Non-family	
16	D_E3	D	Zoom/Teams	1 h 3 min	50-60	male	Executive manager	Owner/Predecessor	Family	Father
17	F_U1	F	Zoom/Teams	1 h 40 min	40-50	male	Deputy executive	Successor	Family	Daughter
18	E_U1	E	Zoom/Teams	2 h 40 min	20-30	female	Head of Division	Successor	Family	Son-in-law

Method of collecting and recording qualitative data

First, I prepared the draft of the interviews, matched it with the research goals and propositions, and set the interview structure. A semi-structured interview offers flexibility because it is possible to clarify any misunderstandings (King, 2004)

As a pilot, I conducted two test interviews, of which I used one in the final sample. I aimed to find out whether the research question and propositions are right to collect proper information to reach my research goals. During the interviews, I was also taking notes, and I used a voice/video recorder. I asked permission to record the interviews by asking them to sign the statement of consent (See in Appendix – Statement of Consent). I reassured each interviewee that the audio/video materials and the transcripts would be examined only for the purpose of this research. I wrote the first three transcripts; the rest of them were written by a stenographer, and I was reading through the transcripts while listening to the voice/video recordings. Previously I planned to conduct personal interviews; however, due to the second and third waves of the pandemic in Hungary, I ended up conducting all the interviews online or via telephone with one exception, which was personal at the request of the interviewees. The interviews were recorded in a single session. The online and telephone interviews were not only safe but by then, the interviewees and I had become accustomed to online/mobile communication. The quality of the zoom/teams videos was good. I conducted the interviews from home or from my room at the university to have a calm and undisturbed atmosphere.

I conducted the first interview with a family manager at each company, who was also the successor in each case. After the interview, we discussed the possible additional interviewees at the company and the possible order of interviews. I also asked for their help in establishing contact with the other interviewees. The limitation of this approach is that the line managers are mainly interviewed from the “inner circle” who have less critical voices about the controlling family and the top management.

Qualitative Analysis of Content

There are three approaches to qualitative content analysis formulated on the level of involvement of inductive reasoning: conventional qualitative content analysis, direct content

analysis, and summative content analysis. In conventional qualitative content analysis, coding categories emerge directly and inductively from the data. That is why it can apply to grounded theory development. In direct content analysis, initial coding begins with a theory or relevant research findings, and during the analysis, themes are able to emerge from the data. This approach can validate or extend a former conceptual framework or theory. In summative content analysis, first, researchers begin with the counting of words or manifest content; then they can also include latent meanings and themes. (Hsieh & Shannon 2005 in Zhang & Wildemuth, 2005)

In order to validate or extend my conceptual framework, I apply the second approach, in which I begin my initial coding with my literature review findings. Later, in the data analysis phase, this method gives the opportunity to explore other themes emerging from the data.

To support valid and reliable conclusions generated from directed content analysis, I follow the set of systematic and transparent procedures for processing data, which includes the following eight steps:

Step 1: Beginning with preparing the data. The interviews were transcribed literally, and I also wrote my observations during the interview, such as smiles, pauses, and other audible behaviors.

Step 2: Defining the unit of analysis. I applied individual themes as a coding unit, which may be expressed in a single word, phrase, sentence, paragraph, etc. I used NVivo 9 to support the coding process of qualitative content analysis.

Step 3: Developing categories and a coding scheme. I made a list of coding categories from my conceptual framework, and I modified my model during the analysis as new categories emerged inductively (Miles & Huberman, 1994). I tried to outline the categories in the coding scheme internally as homogeneous as possible and externally as heterogeneous as possible. To make sure the consistency of coding, I made a coding manual with category names, definitions for assigning codes, and examples. (See in Appendix – Coding Manual)

Step 4: Testing my coding scheme on a sample of text. In this first text, while I was coding, I was continuously checking coding consistency, and I tried to revise coding rules in an iterative process until I achieved sufficient coding consistency.

Step 5: Coding all the text of every interview. I checked the coding constantly and made modifications if it was necessary.

Step 6: Evaluating my coding consistency. I tried to code the text of every interview within a specified 2-week period in order to avoid greater inconsistency occurring over time. However, I rechecked the new codes that might have been added since the initial consistency check.

Step 7: Drawing conclusions from the coded data. In this critical step, I tried to make sense of the themes and categories and make implications by identifying relationships between categories, uncovering patterns, and testing categories against the full range of data.

Step 8: Reporting my methods and findings. In this stage, I attempted to reach a balance between description and interpretation.

4.3.2. Documents – data collection and analysis of content

I also planned to conduct document analysis to combine with interview analysis as a means of triangulation.

Document analysis is a systematic procedure for reviewing or evaluating documents, both printed and electronic (computer-based and Internet-transmitted) material (Bowen, 2009).

Skimming (superficial examination), reading (in-depth examination), and interpretation are all steps in the document analysis process. This iterative technique combines content and thematic analysis elements. The process of organizing information into categories linked to the central questions of the research is known as content analysis. Emerging themes become the categories for investigation in thematic analysis, which is a type of pattern detection within the data. The procedure entails a more thorough re-reading and examination of the data. (Bowen, 2009)

4.3.3. Direct observation

As another source of evidence, there are some relevant behavioral and situational conditions, which also can be observed. Direct observations can vary from formal to casual data collections. These pieces of evidence may provide additional information about the topic. Since there are questions derived from the propositions that cannot be answered directly by the interviewees but based on the impressions and observations, the interviewer is able to answer them after the interview. (Yin, 2009)

4.3.4. Archival records

Archival records can include annual public reports, and financial statements, homepages of the companies, published books and articles about the family and family businesses. Archival records can be applied together with other sources of evidence. However, it is difficult to ascertain their accuracy and the conditions under which these records were produced. (Yin, 2009)

4.4. Quantitative Data Collection and Analysis

Quantitative research has three aims in this study. The first main goal is to measure the actual level of perceived justice in each company. The second main goal is to triangulate and bring an additional perspective to the data obtained from qualitative research (interview and document analysis). The third additional goal is to test the hypotheses derived from the propositions and so to evaluate the initial propositions of my research. This third goal does not belong to one of my main goals. I wanted to examine the answers of the questionnaires to be analyzed anyway from a new perspective as well. The findings, however, are only valid for the four companies examined. Although the statistical validity is valid for a pooled group of employees of the four companies in the sample, this is not the subject of the research.

In this chapter, I introduced the measurement tools of perceived justice and fairness, the structure and underlying logic of the questionnaire, then the respondents and data collection of the quantitative research, and the overall results. Finally, I present my hypotheses.

4.4.1. Measurement of perceived justice and fairness

In this chapter, I give a brief overview of the various measurement approaches of justice and fairness used in the justice literature (Colquitt & Rodell, 2015).

Colquitt et al. (2015) suggest a taxonomy that differentiates if measures underline descriptive perceptions of justice rule adherence or evaluative perceptions of fairness and if measures differentiate between multiple dimensions.

In the vast majority of studies, the terms justice and fairness turned to be adopted interchangeably in the literature. One measure may imply a condition expected to induce fairness (such as consistency and truthfulness), while another implies perceptions of fairness themselves. However, in recent studies, more and more scholars operationalize justice and fairness as separate constructs. Regardless of whether scholars focus on justice or fairness, a certain degree of “convertibility” is often needed when constructing measures (Greenberg, 2010).

Table 10 shows that the approaches can vary by a) whether they highlight justice versus fairness and b) whether they differentiate between procedural, distributive, interpersonal, and informational dimensions. The authors identify four approaches: faceted justice, latent justice, faceted fairness, and overall fairness. In the following, I discuss the four quadrants of the taxonomy in more detail.

Table 10 - A Taxonomy of Measurement Approaches

	Assessing Justice	Assessing Fairness
Emphasizing Dimensional Distinctions	<i>Faceted Justice</i>	<i>Faceted Fairness</i>
Deemphasizing Dimensional Distinctions	<i>Latent Justice</i>	<i>Overall Fairness</i>

Source: (Colquitt & Rodell, 2015, p. 190)

Faceted Justice

The advantage of the faceted justice approach is that its results can be turned into managerial actions more easily. For instance, procedural justice can be improved by providing more control, consistency, and mechanisms for correction, applying more accurate information, reducing sources of bias, stress representativeness, and ethicality during the process (Colquitt, 2001; Leventhal, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975).

The faceted approach has some disadvantages. Justice dimensions are very highly correlated, which causes significant levels of multicollinearity in statistic models. Moreover, findings also demonstrate that the different dimensions predict key outcomes differently. For instance, scholars argued that procedural justice is more significant to employees because systems stay, while other dimensions of justice are mutable (Lind & Tyler, 1988).

Latent Justice

In the case of latent justice, scholars create justice as a second-order latent variable, with procedural, distributive, interpersonal, and informational justice as lower-order indicators. This formulation is useful in case if the construct can be determined by the common variance shared by the multiple dimensions, if the dimensions are greatly correlated, and if the dimensions are functionally similar and relatively interchangeable (Colquitt & Rodell, 2015).

Overall Fairness

Like latent justice, overall fairness does not recon with the distinctions among procedural, distributive, interpersonal, and informational facets either. However, overall fairness is considered with a single scale that concentrates on the overall perception of appropriateness.

According to Colquitt et al. (2015), scholars encompass overall fairness, often in tandem with measures of the justice dimensions. Overall fairness scales are structured as “entity” measures that transcend exact contexts or events. However, suppose the research question requires a different structure, like in the case of this study. In that case, items can embed overall fairness in a performance appraisal situation such as “Overall, I was treated fairly by my company during my last performance appraisal” (Ambrose & Schminke, 2009, p. 493), and “Does your supervisor behave as a fair person would during performance appraisal?” (Colquitt et al., 2015).

Faceted Fairness

Faceted fairness is the fourth bracket in the taxonomy of measurement approaches. In this case, dimensional distinctions are studied. However, items rather concentrate on global perceptions of appropriateness than justice rules. Conversely, the application of the faceted fairness approach is limited because of its blurriness. The border between interactional/interpersonal fairness and overall fairness can be unclear. According to Colquitt et al. (2015), this vagueness results from the multiple meanings of the word “treat”. Thus, scholars tend to choose the overall fairness approach in the literature over the faceted fairness approach.

4.4.2. Content of the questionnaire

The content of my questionnaire relies on validated questionnaires for justice and fairness based on the studies of Colquitt et al. (2015) and Ambrose and Schminke (2009).

First, I applied Colquitt (2001)’s questionnaire of perceived justice, which belongs to the faceted justice in Colquitt et al. (2015)’s taxonomy. Colquitt (2001) performed a construct validation of a justice measure, which is based on the original explications laid out in previous studies (e.g., Thibaut & Walker, 1975; Leventhal, 1976, 1980; Bies & Moag, 1986). According to this, the questionnaire consists of questions about procedural justice (Question group II.1.1-7), distributive justice (Question group II.2.1-4), interpersonal justice (Question group II.3.1-4), and informational justice (Question group II.4.1-5) dimensions. Colquitt (2001)’s questionnaire of perceived justice is on a 5-point scale ranging from 1 (to a very small extent) to 5 (to a very large extent).

Second, I added the Perceived Overall Justice (POJ) scale of Ambrose and Schminke (2009). The POJ scale (Question group II.5.1-6) includes three questions to measure individuals’ personal fairness experiences (Question group II.5.1-3) and three questions assess the fairness of the organization generally (Question group II.5.4-6), in which individuals can apply information about the fairness experiences of others to shape their own impressions of fairness. The POJ statement is referred to the organization on a 7-point scale ranging from 1 (strongly disagree) to 7 (strongly agree); however, question II.5.4 is a reverse scale.

Third, I also included measures of overall fairness (Question group II.6.1-3) and overall unfairness (Question group II.6.4-6) referred to the supervisor’s actions during decision-making events based on Colquitt et al. (2015). These questions are also on a 7-point scale ranging from 1 (to an extremely small extent) to 7 (to an extremely large extent), in which questions about overall unfairness (Question group II.6.4-6) are on a reverse scale.

Besides the quantitative questions, I also put two exploratory questions about fairness at the end. These were not mandatory questions but rather gave people the opportunity to share their opinion in their own words.

Other measurement issues

To measure to what extent the respondent considers the company as a family business, I asked the following question: Q1.2: “The company I work for is a family business.” on a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Besides this, I also asked questions to gather demographic information about the participants such as age (Q III.1), gender (Q III.2), education (Q III.3), position (manager/subordinate) (Q III.4), total work experience at the given company (Q III.5), total work experience (Q III.6). At the request of the HR manager, a question about age (Q III.1) was taken out at Company “B” to preserve anonymity.

Regarding the questions about the work experience, Colquitt et al. (2015) discussed some measurement issues, including anticipations and expectations, within-person methodologies, the application of multiple sources, and the operationalization of injustice. In the following, I discuss these concerns to show how I developed my questionnaire for the case study.

All the measurement approaches assess the past, and studies usually concentrate on past experiences or the accumulation of experiences with a supervisor or organization. To predict attitudes and behaviors, Shapiro and Kirkman (1999, 2001) also stressed that people might consider the justice and fairness of events before these events actually happen. That first concept is considered as “experienced” justice, while the latter is labeled “anticipatory justice” or “justice expectations” (Bell et al., 2004). Anticipatory justice describes the extent to which people “believe that they will or will not experience justice in some future situation” (Colquitt & Rodell, 2015, p. 196). Since employees do not have proper information about situations in the future, like “experience,” justice scholars also assume that employees create justice anticipations from information that they already have (Shapiro & Kirkman, 2001). That is why in my study, I build on the “experience” justice of the employees while assuming that newcomers may answer based on what they expect to happen based on their previous experiences. Thus, I required from the respondents the information about working experience ((less than a year, 1-2 years, 3-5 years, 6-10 years, 11-15 years, 15+ years)) and how many years he/she has spent at the given family business (less than a year, 1-2 years, 3-5 years, 6-10 years, 11-15 years, 15+ years).

In Appendix 7, you can see the questionnaire in Hungarian as the respondents have received it in Hungarian.

4.4.3. Hypotheses

Table 11 shows the propositions and the related hypothesis I tested.

Table 11 - Propositions and Hypothesis testing

Propositions	Hypothesis testing
Proposition 1b	<ul style="list-style-type: none"> • There is a difference in perception of the company as family business between subordinates and managers? (H1)

<p>The presence of family influences the actual performance management practice through line-managers implementation, leading to more efficient informal PM practices.</p>	<ul style="list-style-type: none"> • There is a difference in <i>perception of justice</i> between subordinates and managers. (H2)
<p>Proposition 3 Family Influence has an effect on the perceived justice of Performance Management.</p>	<ul style="list-style-type: none"> • If a <i>subordinate</i> considers the company as a family business, he or she perceives performance management practices <i>fairer</i>. (H3) • If a <i>subordinate</i> considers the company as a family business, he or she perceives performance management practices <i>more just</i>. (H4) • If a <i>manager</i> considers the company as a family business, he or she perceives performance management practices <i>fairer</i>. (H5) • If a <i>manager</i> considers the company as a family business, he or she perceives performance management practices as <i>more just</i>. (H6)
<p>Proposal 2 By differentiating between the two concepts of justice and fairness, family firm leaders pursue to achieve a high level of fairness rather than a high level of justice among family and nonfamily employees in the PM processes.</p>	<ul style="list-style-type: none"> • Overall fairness – supervisor and Overall fairness – the organization will negatively be skewed more than the four dimensions of justice

4.5. Validity

In order to ensure the quality of a case study, I apply the four logical tests: construct validity, internal validity, external validity, and reliability (De Massis & Kotlar, 2014; Horváth & Mitev, 2015; Yin, 2009).

Construct validity

Construct validity focuses on the operationalization of the study. The correct operational measurement tools for the concepts being studied need to be identified (Horváth & Mitev, 2015). The measures must accurately represent the concepts in order to be able to validate the conclusions of the study. There are three tactics to foster construct validity: 1) using multiple sources of evidence, 2) establishing a chain of evidence during data collection, and 3) having key informants reviewing the draft report of the case study (De Massis & Kotlar, 2014; Yin, 2009).

Internal validity

Internal validity focuses on establishing a causal relationship. The triangulation of the various evidence can explain how and why certain conditions lead to other conditions (Horváth & Mitev, 2015). In order to increase internal validity, four analytic tactics can be applied during

data analysis: doing pattern matching, defining explanation building, addressing rival explanations, and using logic models (Yin, 2009).

External validity

In the case of case study research, analytic generalization is applicable. I aim to generalize a particular set of results to a broader theory (Horváth & Mitev, 2015; Yin, 2009). In the case of multiple-case studies, the findings can be replicated at 3-4 companies that can provide strong support for the theory (De Massis & Kotlar, 2014).

Reliability

In order to ensure reliability, that means other researchers can repeat my work later with the same results, and the research procedures need to be adequately documented (Horváth & Mitev, 2015). There are two particular tactics to manage this validity threat: using a case study protocol and developing a transparent case study database during data collection (Yin 2009) and also using techniques for data preparation (De Massis & Kotlar, 2014).

Based on the four tests, methodological and data triangulation is applied in the research to increase the credibility and validity of the outcomes. In Table 12, there is an overview of the methods, source of evidence, method of analysis, subject, and the targeted aspects of validity tests, which I used in the case of my proposals. Please find the general interview drafts in Appendix 3, 4, 5, the questionnaire for quantitative analysis in Appendix 7.

Table 12 - Overview of the research design

PROPOSAL	METHOD	SOURCE OF EVIDENCE	METHOD OF ANALYSIS	SUBJECT	TARGETED ASPECTS OF VALIDITY
<i>Proposition 1. The presence of family has an impact on the antecedents and consequences of perceived justice of performance management practice of family and nonfamily employees in four ways: planning, implementation, communication, and coordination.</i>					
<i>Proposition 1a The presence of family affects planned performance management in terms of the level of bifurcation and formalization.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers	Direct content analysis	Goals of PM, org. structure, situational factors, Planned PM system; family values and FB values; Family influence, succession	Construct validity (multiple sources) Internal validity
	Direct observations	Interviews and the interactions with participants		Goals of PM, Planned PM system; family values and FB values; Family influence, succession	External validity (addressing rival explanations)
	Document analysis	Documentation, policies, procedures, and formal communication letters	Content analysis	Planned PM system and implementation	Reliability
<i>Proposition 1b The presence of family influences the actual performance management practice through line managers' implementation, leading to more efficient informal PM practices.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Perceived fairness and effectiveness of actual PM; family values and FB values; Family influence	Construct validity (multiple sources)
	Direct observations	Interviews and the interactions with participants		Perceived fairness and effectiveness of actual PM; family values and FB values; Family influence	Internal validity
	Questionnaire	Employee questionnaire of Colquitt (2001a)'s questionnaire of perceived justice and Employee questionnaire of fairness (Ambrose & Schminke, 2009; Colquitt et al., 2015) (H1, H2)	Statistical analysis	Perceived justice of PM system at employee level; Perceived fairness of PM system at employee level	External validity (addressing rival explanations)
	Document analysis	Documentation, policies, procedures, and formal communication letters	Content analysis	Actual PM system and implementation	Reliability
<i>Proposition 1c The presence of family influences the experienced/perceived performance management practice through its communication by the top and line managers that leads to more efficient informal PM practices.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Experienced, perceived PM system; family values and FB values; Family influence, cognitive processing of participants	Construct validity (multiple sources)
	Direct observations	Interviews and the interactions with participants		Experienced, perceived PM system; family values and FB values; Family influence, cognitive processing of participants	Internal validity
	Archival records	Books and articles about the family and the family members		Family values and FB values; Family influence, cognitive processing of participants	External validity (addressing rival explanations)
<i>Proposition 1d The presence of family influences the possible outcome of perceived justice of PM through coordination, such as defining organizational structure (a division of tasks, scope of authority, types of</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Outcome of PM system, Family influence	Construct validity (multiple sources)
	Direct observations	Interviews and the interactions with participants			Internal validity
	Archival records	Annual financial statements and annual reports, Company homepages, books, and online articles	Financial analysis	Business Performance Indicators	External validity (addressing rival explanations) Reliability

PROPOSAL	METHOD	SOURCE OF EVIDENCE	METHOD OF ANALYSIS	SUBJECT	TARGETED ASPECTS OF VALIDITY
Proposition 2 <i>By differentiating between the two concepts of justice and fairness, family firm leaders pursue to achieve a high level of fairness rather than a high level of justice among family and nonfamily employees in the PM processes.</i>	Questionnaire	Employee questionnaire of Colquitt (2001a)'s questionnaire of perceived justice and Employee questionnaire of fairness (Ambrose & Schminke, 2009; Colquitt et al., 2015)	Statistical analysis	Perceived justice of PM system at employee level; Perceived fairness of PM system at employee level	Construct validity (multiple sources) Internal validity (addressing rival explanations) Reliability
	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Family values and FB values; Family influence; Perceived justice and fairness of PM	
	Direct observations	Interviews and the interactions with participants		Family values and FB values; Family influence; Perceived justice and fairness of PM	
	Document analysis	Documentation, policies, procedures, and formal communication letters	Content analysis	Main criteria of justice	
Proposition 3. Family Influence has an effect on the perceived justice of Performance Management					
Proposition 3a <i>Family Influence has an effect on the perceived justice of PM.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Family influence, perceived justice and perceived justice of PM	Construct validity (multiple sources) Internal validity Reliability
	Direct observations	Interviews and the interactions with participants		Family influence, perceived justice and perceived justice of PM	
	Questionnaire	Employee questionnaire of Colquitt (2001a)'s questionnaire of perceived justice and Employee questionnaire of fairness (Ambrose & Schminke, 2009; Colquitt et al., 2015) (H3-H6)	Statistical analysis	Perceived justice of PM system at employee level; Perceived fairness of PM system at employee level	
Proposition 3b <i>Family Influence has a direct effect on the perceived justice of PM.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Family influence, perceived justice and perceived justice of PM	Internal validity External validity (addressing rival explanations) Reliability
	Direct observations	Interviews and the interactions with participants		Family influence, perceived justice and perceived justice of PM	
Proposition 3c <i>The various sources of family influence may interact with each other so that one source of family influence may have a moderator effect in the relationship between another source of family influence and perceived justice of PM.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers, family, and non-family managers	Direct content analysis	Family influence, perceived justice and perceived justice of PM	External validity (addressing rival explanations) Reliability
	Direct observations	Interviews and the interactions with participants		Family influence, perceived justice and perceived justice of PM	
Proposition 4. A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes directly and later on indirectly by the modification of coordination mechanisms.					
Proposition 4a <i>A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness of the PM processes.</i>	In-depth interviews	Interviews with predecessors/owners, CEOs, HR managers	Direct content analysis	Family employees' and managers' perception of fairness of the PM and PA processes.	Internal validity External validity (addressing rival explanations)
	Direct observations	Observe directly what is happening during the interviews and the interactions with participants		Family employees' and managers' perception of fairness of the PM and PA processes.	
Proposition 4b <i>A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes indirectly by modification of coordination mechanisms.</i>	In-depth interviews	Interviews with family members such as predecessors/owners, successors, CEOs, HR managers	Direct content analysis	Family employees' and managers' perception of fairness of the PM and PA processes.	Construct validity (multiple sources) Internal validity External validity (addressing rival explanations) Reliability
	Direct observation	Interviews and the interactions with participants		Family employees' and managers' perception of fairness of the PM and PA processes.	
	Document analysis	Documents of written formal documentation, policies, procedures, governmental structure	Content analysis	Modification of coordination mechanisms	
	Archival records	Company homepages, books, and online articles		Modification of coordination mechanisms	

5. Research results

In this chapter, I present the results of the document analysis, the quantitative analysis, and the qualitative analysis.

5.1. Results of document analysis

After the interviews, I asked HR managers or executive managers if they could send or show anonymized documents of PM and PA. The results of the document analysis were in line with the participants told in the interviews.

Table 13 shows that companies have embarked on the path of professionalization. The processes are partially formalized, and the owners are committed to developing them further according to the current operational requirements of the organization. For production companies, KPI and controlling system development provide a good basis for measuring and evaluating performance in production. Due to labor retention and market pressure, companies are trying to adapt to the labor market situation by introducing a performance-based bonus. As a first step, the bonus is considered as feedbacks to employees. For two family businesses, there was formalized PM system focusing on development, career planning, and strengthening employee engagement. However, the outcomes of PMs do not serve as a basis for inputs of other systems, and the use of the outputs is rather ad hoc. For white-collar workers, retention is still mainly built on an organizational culture based on personal relationships.

In this research, I analyzed documents to verify my findings or corroborate evidence from the interviews. In all four family business cases, there was a convergence of information from the different sources (interviews and documents), which provides trustworthiness (credibility) of my findings.

Table 13 - Documents of PM and PA

Company	Systems	Focus	Documentation	Frequency	Form	Stakeholders				Further Developments
						Top and middle management	White Collar Workers	Manual Workers	Family employees	
A	PM and PA	Development, accountability focus	BoD's presentation to Supervisory Board Sector managers' presentations to Top management Daily evaluation sheets posted for manual	Monthly for manual workers Quarterly for managers	Paper/Slides	Yes	NA	Informal	Yes	Implementing formal rules and policies and to define and standardize evaluation criteria.
	KPI system and controlling to support performance-based compensation	Compensation, accountability	Daily evaluation sheets posted for manual workers Bonus agreements	Monthly for manual workers Annually for managers		Yes	-	Yes	Yes	Development of the KPI and controlling systems
B	PM and PA	Development and engagement focus	Annual Supporting Sheet for the discussions related sheet (narrative answers and numeric feedbacks and scales)	Annually	Paper-based	Formalized, annual meeting	Formalized, annual meeting	Formalized, annual meeting	Formalized, annual meeting	Online performance reviews, automated workflows and reports system should be implemented Feedbacks quarterly or semi-annually.
	Job descriptions	Leadership development, compliance with the law	Updated Job descriptions		Automated	Yes	Yes	Yes	Yes	
	KPI system and controlling to support performance-based compensation	Compensation, accountability	Performance-based bonus (company and individual goals)		Automated/Excel	Yes	NA	Yes	Yes	Goal setting need to be improved to make goals more realistic and achievable
C	PM and PA	Development focus	NA	Every 2 month	Automated/Excel	Informal, partly substituted by performance-based bonus payment	Informal	Informal	Informal, partly substituted by performance-based bonus payment	The development of the system is ongoing and based on the well-developed Job assessment and KPI and controlling systems
	Jobs category	Compensation, accountability and career and development management focus	Assesment of Job categories		Paper based	Yes	Yes	Yes	Yes	
	KPI system and controlling to support performance-based compensation	Compensation, accountability focus	Performance-based bonus policy and bonus agreements, KPIs in scorebored (target and actual figures in the database with background date)		Automated/Excel	Yes	-	-	Formalized	Performance-based bonus policy is not published yet; Gradually introduced for manual workers
D	PM and PA	Competency, development focus	Annual Employee Performance evaluation sheet Annual Manager Performance evaluation sheet White Collar Employee Performance evaluation sheet	Annually	Paper based	Formalized	Formalized	Formalized, but optional	Not formalized	Autoamization is needed Lack of capacity of processing the results of the individual evaluations to support HR decisions
	KPI system and controlling to support performance-based compensation	Compensation, accountability focus			Automated/Excel	Yes	-	Yes	Not formalized	

5.2. Results of Quantitative analysis

5.2.1. Quantitative Data Collection

Table 14 shows the data collection related to the quantitative questionnaire at each company.

Table 14 - Data collection

	Number of respondents	Response rate	Number of respondents excluding inconsistent responses	Paper vs. online (MS Forms)	Language	Data collection time period
Company „A”	213	45% (213/475)*	209	paper-based	Hungarian	12/2020-01/2021
Company „B”	25	36% (25/70)	25	online	Hungarian	04/2021-05/2021
Company „C”	16	10% (16/164)	16	online	Hungarian	03/2021-04/2021
Company „D”	39	35% (39/110)	39	online	Hungarian	03/2021-04/2022
Sum	293		289			

1. Questionnaires were only sent out to employees working at Subsidiary A1

The survey was conducted between December 2020 and May 2021. Respondents were mainly unskilled or skilled workers in plants or livestock farms who do not work with a computer, and therefore, they favor paper-based questionnaires.

However, the data collection occurred during the second and third waves of the global pandemic, so I asked each HR manager to choose between the paper or the web-based questionnaire. Only Company “A,” asked for a paper-based questionnaire to have enough answers. The paper-based questionnaires were collected anonymously by the HR manager in a sealed envelope and sent to me for uploading to an excel sheet. At the same time, Company "D" also acknowledged that a paper-based questionnaire would have been more successful; however, the company aims to motivate its employees to get used to online applications and surveys that is why they insisted on the web-based form.

After the data collection, I conducted a survey data cleaning, which involved *identifying* and *removing* responses from four individuals who did not answer the questions thoughtfully. Either they were straightliners who chose the same answer choice repeatedly or respondents who gave inconsistent responses.

5.2.2. Quantitative Data Analysis

Statistical data analyses were conducted with SPSS and Excel.

Descriptive analyses

Among 289 participants, 73.4% are men, and 23% are a woman. 79,2% of the respondents work as a subordinate, while 18% of them fill in the manager position. The majority of the respondents have secondary school/high school (23%), and vocational school (34%) diplomas or they have finished primary school (24%). M of the respondents are in the following three

age groups: 26-35 years (19,7%), 36-45 years old (32,5%), 46-55 years old (22%). 86,7% of the employees have 6-10 years or less work experience at their current company.

Skewness is a measure of the degree and direction of asymmetry. Positive skewness values imply a score pile-up on the left side of the distribution, whereas negative values suggest a score pile-up on the right. (Field, 2009) Since all the skewness values are negative, I can state that in the case of each measure of dimension and overall justice as well as overall fairness – supervisor, overall fairness – organization.

Based on Table 15 and Table 16 in Appendix 8, the distributions are negatively skewed in all dimensions. The mean values are less than the median values, except in the case of procedural justice. In the case of a negative skewness score, the higher evaluation is more frequent in the distribution. In the case of overall fairness related to supervisor and informational justice and interpersonal justice dimensions, higher values dominate more strongly.

Hypothesis testing

Reverse Coding

Since negatively worded items regarding unfairness (Questions II.5.4, II.6.4-6) have been applied, these were reverse-coded before proceeding. So, in the 7-point rating scale, the reverse coding proceeds as follows: strongly disagree (1 / 7), disagree (2 / 6), rather disagree (3 / 5), neither agree nor disagree (4 / 4), rather agree (5 / 3) agree (6 / 2) strongly agree (7 / 1). (Robinson, 2018)

Score aggregation/mean

Scale scores can be calculated in two ways. First, the mean rating of every item, including the scale, can be calculated. Second, the ratings of every item, including the scale, can be aggregated. I decided to calculate the mean item rating method because of two reasons. Firstly, the mean ratings are more comparable within the various concept structures (e.g., the four justice dimensions, overall fairness related to supervisor, overall fairness related to the organization). Secondly, while if there are no missing data, either option produces identical inter-scale correlations, even though with different scale scores. In case of missing data, aggregating item ratings produces lower scale scores than appropriate for participants with missing data. (Robinson, 2018)

Accordingly, when I estimate the scale score from the mean of its component items' ratings, I apply a conservative approach of Robinson (2018) to decide how many of the scale's items a respondent must answer to for this calculation to be valid: (1) Before calculating a scale score a threshold of responses to at least 50% of a scale's items should be reached. Unless (2) this method decreases the sample size to below-recommended levels for statistical analyses. In this case, scale scores should be defined from answers to one or more items provided the Cronbach's alpha internal reliability of the scale is high ($\alpha \geq .75$; (Cortina, 1993)).

Cronbach's alpha

I apply the psychometric scales of Colquitt (2001), Ambrose and Schminke (2009), and Colquitt et al. (2015). Psychometric scales of applying multiple items calculate the same focal variable, which means that the consistency or internal reliability of respondents' answers can be evaluated. Reliability is a precondition for validity, and both are crucial features of psychometric scales (Kline, 2000). Cronbach's alpha coefficient (α ; Cronbach, 1951) is the most

often applied statistic for internal consistency. Cortina (1993) suggested $\alpha \geq .75$ as the conventionally accepted level for psychometric scales.

Cronbach's Alpha of the applied scales are above this conventionally accepted level as follows: Procedural justice ($\alpha= 0.818$), Distributional justice ($\alpha=0.888$), Informational justice ($\alpha=0.897$), Interpersonal justice ($\alpha= 0.902$), Overall fairness – organization ($\alpha= 0.9$), Overall fairness – supervisor ($\alpha= 0.917$).

Analysis of variance (ANOVA)

I conducted ANOVA analysis to assess the equality of variances for a variable calculated for two or more groups. However, ANOVA analysis is based on the presumptions that two or more samples are independent, the distributions of the residuals are normal, and there is homogeneity or equality of variances between groups (homoscedasticity). (Malhotra et al., 2017) That is why in each case, I ran Levene's tests to *test* homogeneity of variances as a first step. Besides this, I also conducted robust tests (Brown-Forsythe and Welch) to test whether there is a statistically meaningful difference in the groups' means when the homogeneity assumption variance is not met. (IBM SPSS Statistics 24.0.0 Documentation, 2021)

Hypothesis 1: There is a difference in the perception of the company as a family business between subordinates and managers.

Based on the descriptive analysis of the sample, I assumed that managers rather consider the company as a family business than subordinates (mean of sub.=3.81; mean of manager = 4.44). (See in Table 17 in Appendix 8)

First, I ran the test of homogeneity of variances, in which the *null hypothesis* for *Levene's test* is that the variances are equal across the samples. Based on the Sig=0.024, I rejected the H₀. (See in Table 18 and Table 19 in Appendix 8)

I conducted the robust tests of Brown-Forsythe and Welch, in which cases the *null hypothesis* is that the group means are equal. (IBM SPSS Statistics 24.0.0 Documentation, 2021) Based on the results of Sig. value of Brown-Forsythe (Sig=0.000) and Welch (Sig=0.000), I rejected the H₀ and accepted the alternative hypothesis that the means are not equal for subordinates and managers. (See in Table 20 in Appendix 8)

According to the statistical analysis, I can state that the position will impact how much an employee considers the company as a family business. Based on the means, the managers consider the company more like a family business.

Hypothesis 2: There is a difference in perception of justice between subordinates and managers

Based on the descriptive analysis of the sample, we can see that the means of subordinates for each justice dimension and fairness scales are less than the means of managers. (See in Table Table 21 in Appendix 8)

I ran the test of homogeneity of variances, in which the *null hypothesis* for *Levene's test* is that the variances are equal across the samples. Based on the results of the Sig value, I rejected the H₀ for the two overall fairness scales (supervisors, organization) and all justice dimensions, except interpersonal justice dimensions (sig=0.378). (See in Table 22 in Appendix 8). However,

in the case of interpersonal justice, I accepted the null hypothesis in ANOVA; that is, there is no difference in means. (See in Table 23 in Appendix 8)

I conducted the robust tests of Brown-Forsythe and Welch, in which cases the *null hypothesis* is that the group means are equal. (IBM SPSS Statistics 24.0.0 Documentation, 2021) Based on the results of Sig value of Brown-Forsythe and Welch, I rejected the H0 and accepted the alternative hypothesis, that is the means are not equal in case of Procedural justice (Sig.=0.002), Informational justice (Sig.=0.004), Overall Perceived justice (Sig.=0.011) Overall fairness - organization (Sig.=0.018), Overall fairness - supervisor (Sig.=0.009). While I accepted the null hypothesis in the case of Distributional justice (Sig.= 0.188), Interpersonal justice (Sig.= 0.351) (See in Table 24 in Appendix 8)

According to this statical analysis, based on the means, I can state that the position will positively impact how much an employee perceives the overall fairness referred to supervisor and organization, as well as the procedural, informational and overall justice of Performance Management. While the position will not impact how much an employee perceives the distributional and interpersonal justice of Performance Management.

Before testing my H3, H4, H5, and H6, I coded a binary variable, in which b0= “rather not a family company”, which includes answers such as 1= “strongly disagree,” 2= “disagree”, 3 = “I cannot decide it”, while b1=“rather a family company”, which includes 4=“agree” and 5= “strongly agree” answers.

Hypothesis 3: If a subordinate considers the company as a family business, he or she perceives performance management practices as fairer. (H3)

Hypothesis 4: If a subordinate considers the company as a family business, he or she perceives performance management practices as more just. (H4)

Based on the descriptive analysis of the sample, we can see that the means of those subordinates who consider the company as a family business are higher than those who do not. (See in

Table 25 in Appendix 8)

I ran the test of homogeneity of variances, in which the *null hypothesis* for *Levene's test* is that the variances are equal across the samples. Based on the results of the Sig value, I rejected the H0 for the two overall fairness scales (supervisor, organization) and procedural justice, distributional justice, and informational justice dimensions. In the case of interpersonal justice and latent justice, I could accept the null hypothesis. interpersonal justice dimensions (sig=0.378). (See in Table 26 in Appendix 8). Moreover, in these two dimensions, I could reject the null hypothesis in ANOVA. That is, there is no difference in means. (See in Table 27 in Appendix 8)

I conducted the robust tests of Brown-Forsythe and Welch, in which cases the *null hypothesis* is that the means are equal. Based on the results of the Sig value of Brown-Forsythe and Welch, I rejected the H0 and accepted the alternative hypothesis, that is, the means are not equal in the case of all fairness and justice dimensions (Procedural justice (Sig.=0.000), Distributional justice (Sig.= 0.000 Informational justice (Sig.=0.001), Interpersonal justice (Sig.= 0.003) Latent Perceived justice (Sig.=0.000) Overall fairness - organization (Sig.=0.000), Overall fairness - supervisor (Sig.=0.002). (See in Table 28 in Appendix 8)

According to this statical analysis, I can confirm H3. I can state that that subordinate, who considers the company as a family business, perceives performance management practices as fairer, referring to supervisors as well as the organization.

According to this statical analysis, I can confirm H4. I can state that that subordinate, who considers the company as a family business, perceives performance management practices more just regarding all dimensions.

Hypothesis 5: If a *manager* considers the company as a family business, perceives performance management practices as *fairer*. (H5)

Hypothesis 6: If a *manager* considers the company as a family business, perceives performance management practices as *more just*. (H6)

Based on the descriptive analysis of the sample, we can see that the means of those managers who consider the company as a family business are higher than those who do not, except informational justice (See in Table 29 in Appendix 8)

I ran the test of homogeneity of variances, in which the *null hypothesis* for *Levene's test* is that the variances are equal across the samples. Based on the results of the Sig value, I accepted the H0 for the two overall fairness scales (supervisor, organization) and all dimensions of justice, most probably due to smaller sample size (n=51). (See Table 30 in Appendix 8). However, in the case of fairness and justice in all dimensions, I could accept the null hypothesis (See

Table 31 in Appendix 8). Moreover, in these two dimensions, I could accept the null hypothesis in ANOVA. That is, there is no difference in means. (See in Table 32 in Appendix 8)

According to this, I can not confirm H5. However, we can see that those managers who consider the company as a family business perceive performance management practices as fairer regarding to the supervisor as well as the organization.

According to this, I can not confirm H6. However, we can see that those managers who consider the company as a family business perceive performance management practices more just regarding procedural, distributional, and interpersonal justice and latent justice. Moreover, managers have a lower std. deviation (0.85) than subordinates (1.156). In the case of managers, the results indicate that further research is needed, and it would be worthwhile to examine this in a larger sample.

5.2.3. Limitations

There is dynamic nature of justice. Scholars argue that employees have not only diverse perceptions of justice (between-individual variation), but their own perceptions of justice may differ from time to time within days or weeks (within-individual variation). As Greenberg (1993b) categorized the justice dimensions according to their structural and social natures, he argued that the more structural (distributive and procedural) dimensions are more stable over time, especially if they concentrate on the company. The significant variance within-individual of procedural and distributive justice was found over periods of 4 weeks (Holtz & Harold, 2009) and three months as well (Hausknecht et al., 2011). In contrast, more social dimensions (interpersonal, informational) are more mutable over time, especially if they concentrate on supervisors. The significant variance within-individual of these social dimensions changes more frequently and at a faster pace, such as monthly, weekly (Hausknecht et al., 2011; Holtz

& Harold, 2009), and daily (Loi et al., 2009). However, I did not apply a longitudinal design with two periods in two-three month time lag to capture possible variations in justice and fairness within employees over time (Colquitt & Rodell, 2015) due to the restriction of the pandemic, and it would have been too much of a burden for each company compared to the extra information gained.

Some studies apply multiple sources while studying justice and fairness. Employees are asked to rate justice and report on relevant mediators, while their supervisors are asked to rate their team members' outcome variables (e.g., task performance). However, scholars have limited knowledge of whether employees' perceptions of justice and fairness match the view and self-evaluation of their supervisors (Colquitt & Rodell, 2015).

Some scholars argue that the study in justice (i.e., the degree to which the rules have adhered) must accompany injustice (i.e., the degree to which the rules are violated) since it is more salient to those who experience injustice. This intuition remained mainly uncovered by far (Colquitt et al., 2015; Colquitt & Rodell, 2015). Colquitt's (2001) questionnaire asks the extent to which justice is adhered to and not the extent to which they are violated

5.3. Cases

In the next chapter, I present the four family business cases and the results of my research by the company.

5.3.1. Family Business Case "A"

Introduction

Prior to establishing a company, the founder worked as a manager at a state-owned company, and 4-5 of his colleagues followed him and worked for him from the beginning "almost as family members" (Interview_A_E2). The Family Business „A" was established by the predecessor in 1990. Due to the ongoing investment, the company has been growing to a company group in the past 30 years. The founder is proud that they built the company from scratch, and they never privatized state property. The company has always been successful and profitable ever since its establishment, and it continues reinvesting into further developments. According to the predecessor, for a long time, it worked as a family business, even in thinking, because they have always counted and measured what they did (Interview_A_E2).

It started with a livestock farm in a small village, and now they have more than 60 livestock farms, two slaughterhouses, three processing plants, two feed mixers, and a large waterfowl hatchery, which is the largest waterfowl hatchery in Europe (Interview_A_E2). The company group currently employs around 1.700 people. (Interview_A_U1). Its main business activities embrace the complete integration and processing of waterfowl ranging from breeding, hatching, feed mixing, raising, slaughtering, processing, and sales (Interview_A_E2).

Since Hungary produces more in poultry (chicken, turkey, duck, and goose) than it consumes, especially in waterfowl species such as ducks and geese, the company plays a significant role in the international market. The main target areas of their exports include Europe, Far East (e.g., Japan, Hong Kong, Singapore), Canada, and South Africa overseas. By now, the company group plays a leading role in waterfowl, and it is in the top three in the poultry industry in terms

of volume in Hungary. It owns a 60% share in the volume of meat-type goose production, and it produces 30% of the amount in a roast duck in Hungary. (Interview_A_E2).

The company has always been a big investor; they have reinvested all their profit. The family business has an appropriate credit facility. The predecessor is proud that they used normative subsidies, only which are available to everyone in agriculture. They are fully committed to the food industry, and they are considering not only the Hungarian market but also considering international investments. The joint venture with the French family business was also motivated by the expansion two years ago. The French company has Europe's largest poultry business over the last 20 years with nearly 20,000 people. (Interview_A_E2).

The family business decided to establish a joint venture with a French company aim to develop a more professionalized operation and management to expand its business. Even the third criterion of at least 50% family ownership of the firm is not fulfilled. The self-perception of being a family business and presence of dominant family control at the firm was confirmed by both qualitative and quantitative research. The interviewees all talked about the company as a family business, regardless of their positions. The identification of the owners with the company is very strong. In quantitative research, to the question that "The company, which I work for is a family business" employees also tended to give higher value (mean=3,7).

Organizational and governance structure

Regarding the firm's governance and management, the French owner did not involve in the management since the family business is operating effectively and profitably.

Within the group, there is a holding firm, which owns three subsidiaries. Subsidiary A1 takes the agricultural spectrum of the business with 60 livestock farms, two feed mixers, and a large waterfowl hatchery. Subsidiary A2 is engaged in meat processing as an integrated producer and distributor of goose and duck products. It has three processing plants and a chicken and a goose-duck slaughterhouse. Subsidiary A3 has been acquired at the beginning of 2020, which produces breaded products. The owners of the company group decided not to integrate this new subsidiary entirely, and they rather let its management operate it independently as a profit center. Subsidiary A1 and A2 have around 1500 employees, while Subsidiary A3 employees are circa 200 people.

In the factory, team managers coordinate the work of the manual workers working on the conveyor belt. However, they coordinate the work of the team only. They do not have too many managerial rights such as performance appraisal etc. According to the HR director, these small managerial titles are given to employees easily only with a few responsibilities or rights at this level. Above the team leaders, there are still the *shift managers*, who can already approve holiday leave, and so on. In this sense, they are closer to the managerial position. The next level in the hierarchy is the *site manager* position, which has full authority and responsibility as a manager. In the supporting areas, there are white-collar employees in the office (Interview_A_HR3).

The supervisory board is the supreme decision-making body of the company group. There are four members of the supervisory board: predecessor as the Hungarian member and three French members. There are three members of the board of directors, which consists of the two Hungarian successors (CEO/founder's son and founder's daughter) and a French colleague who is the international team leader.

Organizational performance and strategy

Regarding the financial performance of the company, it showed stable Sales figures with some fluctuations in the last 3 years with a decrease 8% in 2020 while EBIT figures remained stable with 30% drop in Net profit in 2020 which was mainly the result of the Global pandemic hitting the Horeca sector . Margins are thin still considered to be in line with the very competitive poultry business (See also in Table 33).

Regarding the non-financial performance of the company, the company had just finished a 15 billion HUF program last year, and they have just started a 20 billion HUF program this year. (Interview_A_E2) Apart from that, the French had the capital to invest. Both the French and the Hungarian side were motivated to establish a joint venture together solely because of professional reasons to develop professionally and become a multinational corporation. According to the predecessor, the cooperation is very successful within the joint venture. The Hungarian family business can transfer and apply professional knowledge and work culture in their daily work from a more developed and larger company in Western Europe. Moreover, the company is interested in international investments and entering the international market even more. There are two directions of the development to support this strategic goal. First, they aim to invest in IT development, automation, development of processes, and management and control systems, since the organization grew very fast in a short period of time in the last years, and they have not been able to keep up with all the changes yet. (Interview_A_E2) This year they are planning to make improvements to the management and control system themselves under the direction of the owner's daughter with the help of the French, who have already gone through this in their organization. (Interview_A_U1) Secondly, in line with these improvements, they are planning to develop their human resources (Interview_A_E2). They provide English language training among the management as a first step. This will help implement the new technologies under the French support. It also fosters communication in the long run and helps transmit information between the Hungarian middle management and the French colleagues since technical managers can provide more exact information. Now, only the owners speak with the French experts, which means non-family managers often receive filtered information. (Interview_A_HR3)

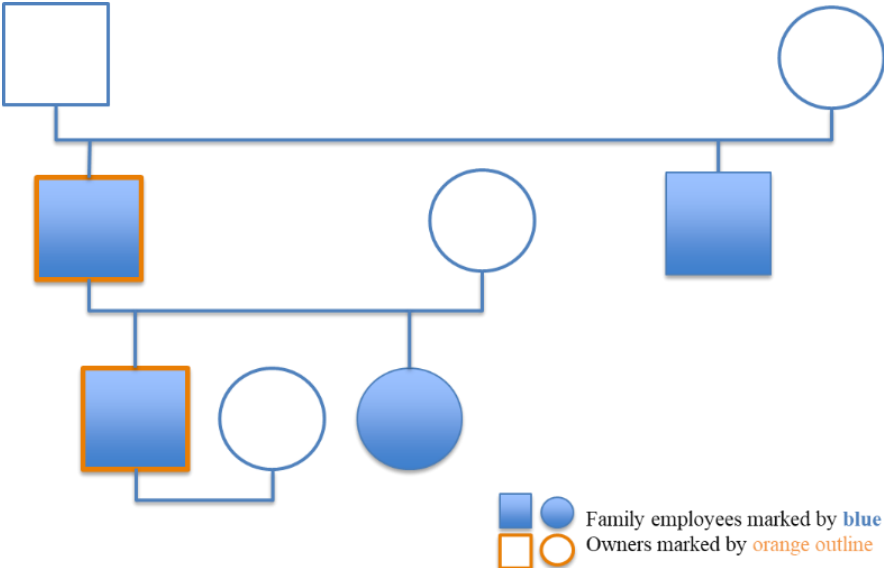
Nowadays, one of the biggest challenges for the company is that there is a lack of skilled people in crop production, animal husbandry, and the food industry in Hungary. That is why the company needs to pay more and more attention to recruit and select new employees and to retain and develop their existing colleagues (Interview_A_E2, Interview_A_U1, Interview_A_HR3)

Introduction of Family 'A'

The predecessor has a degree in engineering and economics. He established the family business in 1990. His younger brother joined him right at the beginning, and they worked together. The predecessor/founder has an older son and a younger daughter, who already work in the company and are involved in the management. Both successors have a degree in economics. The son came voluntarily working as a university student and started work at the bottom of the ladder. He even got on the track for the night shift and stacked the duck at a slaughterhouse. According to the predecessor/owner, he did not need to encourage his son to join the company; however, "he could see an example at work, and the main directions in strategy" (Interview_A_E2). The daughter chose a different career path. Before joining the family business for 5-6 years, she

started to work in one of the Big4s and later an American multinational conglomerate. In the beginning, the daughter also tried to get to know the company and work in all areas. Even the daughter joined the company more than five years ago, her tasks, responsibilities, and scope of authority are not clearly defined yet. “This is an interesting thing because I never defined myself, but obviously when I got there, I needed to join somewhere ... I belong to the controlling team anyway.” (Interview_A_E2). When the company merged with a large French food company, she became a member of the board of directors. Currently, four family members work in the company. The predecessor is a member of the four-member of the supervisory board. Both successors are members of the three-member board of directors. The older son works as a Chief Executive Director. The younger brother of the predecessor/founder works as a general manager at one of the three subsidiaries.

Figure 31 - Genogram of the controlling family of Family Business „A”



Family Involvement

Currently, the predecessor/founder and his son own the company. The ownership of the daughter will be formally settled later. The family acquires 30% of the family company group since it became a joint venture with a French family firm in 2018. The French family firm is not a financial investor, rather strategic. The son works as a Chief Executive Director. The family participation rate in the top management team is 67%, while family participation in the supervisory board representing the owners is 25%. All in all, there are four family members in management positions, including the predecessor/founder’s younger brother, who works as general manager of one of the subsidiaries. The owner family defines itself as an entrepreneurial actor, and its self-understanding is closer to „Family Business” rather than “Business Family”. The family firm governmental configuration type is a transition between the owner-manager and the sibling partnership. (Interview_A_U1). According to the argument of Zellweger (2017a) the family firm’s key challenges are dependency on owner-manager, distribution of responsibilities, and complementary competencies.

The business is a vertically integrated company, including a holding firm and three subsidiaries.

The diversification of the portfolio is low. However, in line with their strategy, they are continuously trying to broaden it with various products both horizontally and vertically. Nowadays, they sell goose, duck, and chicken in breaded, roasted, and fired form.

Currently, two generations work at the family business. They can relate more to the family first philosophy and prioritize family-related goals over business goals; however, they claim that their identification with the family business is high. The company describes a strong relationship with its stakeholders. The transgenerational intentions are very high. The predecessor has already passed the torch at the management level; however, the succession process is still ongoing in the dimension of ownership.

Succession

The transgenerational intentions in succession are strong within the family. There was no formalized succession plan.

Regarding the ownership dimension of the succession, the French company bought 70% of the shares in 2018. The remaining 30% is shared by the predecessor/founder and his son. So, the daughter's succession in ownership has not yet taken place.

Regarding the management dimension of the succession, the predecessor passed the torch to his two children. His son became the CEO 6-8 years ago. His daughter joined the company later, and now she leads the accounting, finance, and controlling departments. When she joined the family business, she started to get to know all the areas, and then she could choose any tasks that she feels like. Then she was entrusted with all sorts of tasks more and more slowly. First, the daughter was hesitant to join the family business. On the one hand, because she wanted to get to know and learn something else somewhere else. On the other hand, she also thought that they are very different from her father in temperament. However, it turned out that the family values are the same. There are "never such family quarrels that used to be at the dining table on Sundays" (Interview_A_U1). In the family business, they are all rational economists who can make rational and economic decisions based on those common family values: "We operate along with family values". (Interview_A_U1).

The daughter emphasized that the support of the CEO is strong within the controlling family. (Interview_A_U1). The predecessors also underlined the same: "I handed it over the leadership to my son by saying from now on, you're the CEO, I won't put my oar in anything, and I was able to keep my promise when I saw that he would be able to do it anyway because he had already worked for the company here for years. It cannot be, and there is no such thing to have too many cooks spoil the broth or two bellwethers in one bed." (Interview_A_E2)

The French owner is not involved in the management at the operational level. The HR director also argues that she and other non-family managers do not notice so much the presence of the French owner in their daily operation. „There are more data provisions in the administration area... but they basically do not get involved in the processes." (Interview_A_HR3)

However, based on the interviews with nonfamily managers, there may be some ambiguity regarding the delegation of responsibilities and scope of authority, mainly because of the ongoing succession and the rapid growth of the company size (Interview_A_HR3).

The younger brother of the predecessor, who works as a general manager, tries to step back slowly and gradually from the management, which is part of the agreement with the French partner (Interview_A_HR3).

The predecessor still goes to work every day at 7 am. He is not involved in day-to-day operational decisions. He is like an “invisible hand,” according to his daughter. He is only involved in the big decisions and big investments. (Interview_A_U1).

Human Resource Management

The HR director is a non-family manager who joined the company about a year ago. Prior to this, she worked for other companies in similar positions. She had no contact with any controlling family members before, and she applied for a job advertisement and was selected in a formal recruitment and selection process.

The HR director reports directly to the CEO formally, however, the CEO is very busy, and he usually claims that he has no time and directs her to his sister or to the factory manager to discuss HR issues. “To tell the truth, at first, I didn’t even know how to relate to her (the daughter) because even there is an organizational structure, somehow I feel like we really don’t apply these hierarchies and other things.” (Interview_A_HR3). She adds that this is also a problem in other supporting areas.

HR is in its infancy, but there are good initiatives and practices, which are operated satisfactorily and even the top management is not aware or conscious about that. “When I asked whether there is performance evaluation in place, they said no, we do not have, but we actually have them.” (Interview_A_HR3). However, managers do not always follow the rules, and they do not always act consistently.

Performance Management System

The successor stressed that they have a lot to do in the field of HR and “Performance Management is a partially effective area that needs to be improved” (Interview_A_U1). The aim of the performance management system is to motivate and incentivize people to pay attention to their work and sanction if someone does not comply. The PM focuses more on the past performance and accountability of the employees. That is why it supports mainly the decisions of distribution of bonuses and annual salary increase and dismissal, while it is only weakly connected to other HR systems. (Interview_A_U1).

According to the successor, performance management represents different values for different levels of employees. For blue-collar workers, the goal is to increase efficiency and quality and hold people accountable. That is why wages for them are the most important incentive.

For white-collar workers, the goal is to have a long-term mindset, loyalty to the company, and to strengthen commitment. This should be in line with training, development needs, and future career goals. If there is someone who strives to find new challenges, she/he gets the opportunity to develop. PM should focus on the present and future performance by supporting decisions in training and development and career management such as promotion or change in position. For

example, if a farm manager, a sector manager, or a deputy sector manager in the Subsidiary A1 wants to move up in the corporate ladder. (Interview_A_U1).

In the following, I describe the performance management practices of different employee groups such as white-collar employees, manual workers at the factory, manual workers, sites/farm managers and sector managers at sites/farms, and finally, family managers. In the description, I will focus on the performance management at the sites since I conducted an interview with one of the sector managers, and questionnaires were also sent out to the sites.

White-collar employees in the office

There is no performance management practice such as goal settings and performance evaluations for white-collar workers working in the supporting areas. Performance management is not linked to the compensation system for them either. The salary increases were varied from 5 to 10 % for employees last year, but the staff did not get any feedback on their performance and what directions they should develop in the future to explain the differences. However, this would help to foster perceived justice among white-collar employees. HR director already raised the issue to the daughter. (Interview_A_HR3), who also confirmed that key performance indicators (KPIs) and policies had not been introduced yet, but they consider introducing them. (Interview_A_U1).

Manual Workers at the factory

The basis of variable payment differs between the factory and the sites.

In the factory, employees receive an increasing variable payment if they haven't received an unjustified absence from work for a month and three months. Factory managers and shift managers evaluate manual workers in factories. The managers did not receive any training in performance appraisals. According to the HR managers, there aren't usually performance appraisal talks among managers and their subordinates. People usually assume the managers' satisfaction of their performance through their annual bonuses, monthly variable payments, and salary increase. (Interview_A_HR3)

Manual Workers at sites/farms

In the site, manual workers received variable payments based on their performance evaluation monthly. There is a scoring system for manual employees. The site managers evaluate and rate employees 1 to 5 day by day based on how they performed. "In fact, it's a performance appraisal, even if they didn't put it that way." (Interview_A_HR3)

There are two main goals of performance management from the point of view of the sector manager of Subsidiary A1. Firstly, performance management ensures that the technical regulations and standards are complied with because if they are not, this usually leads to economic damages and worsening the company's efficiency and effectiveness. Secondly, the site managers can signal employees that their work has been checked back and held accountable through PM. So, they know that the assigned tasks need to be done and to the best of their knowledge. The sector manager emphasized that workers are only asked for work processes

and quantities that can be accomplished; however, there must also be a certain work rhythm. (Interview_A_LM4)

The sector manager considered open communication and feedback important and paid attention to transparent performance appraisal processes. There is a pre-defined list of criteria, which manual workers must meet in each shift. Based on this, the site manager classifies the workers on a scale from 1 to 5 every day after each shift based on their own judgment and experience. At the end of the day, the farm manager posts the evaluation on a sheet so that everyone can see how satisfied the site manager was with each employee that day. If an employee has any question regarding his/her evaluation, the site manager will always answer, explain with him/her in person. According to the sector manager, people do not usually like criticism, but farm managers try to articulate these criticisms with a constructive and incentive intent. The sector manager emphasized that manual workers are not downgraded unjustifiably, only if the employee makes a mistake, does not follow, and executes the issued instructions related to technology or the maintenance of the site order. These omissions and mistakes have distinct weights and degrees in the appraisal. (Interview_A_LM4)

The sector manager argued that the company has a unified compensation and remuneration system for manual workers, which includes base salary and variable payment. In his branch, the variable payment is roughly 25% of the base salary. However, the variable payment amount varies from site to site, and it can also differ among manual workers. Skilled workers receive more than unskilled workers. (Interview_A_HR3)

The site managers define the amount of the monthly variable pay of the workers based on the performance appraisal system. (Interview_A_LM4)

There is a monthly closing each month when the site manager sums up the attendance sheets and the daily grades of each employee. Based on this, the employee receives the variable salary for the current month. The sector manager approves these assessments by reviewing the site managers' suggestions. Since he is in contact with his site managers daily, he usually aware of the glaring cases, but sometimes even the little things have happened that day. However, if he sees a significant deduction, which he cannot remember the reason for, he discusses it with the site manager. He usually does not get involved in it more since he is not the one who works with the site team on a daily basis. The only exception is when the sector manager needs to replace one of his site managers; then, he evaluates the manual workers himself that week. He found this practice useful since he can also check the intensity and efficiency of the work, such as how much time and effort are needed for each technological process. (Interview_A_LM4)

He also argues that PM fulfills its goal and effectively works since it enhances performance and fosters accountability of the manual workers. In case of bigger damage caused by an employee, up to 50-100% of his/her monthly variable salary may be deducted, which is a sensitive loss for the workers. So next month, he/she will pay closer attention and handles his/her work much more carefully. But this is equally true also when a minimal deduction is made when someone had only a weaker day or two. Especially if it can be explained to him/her why his omission or minor mistake is not good and what the consequences may be for either the herd or the efficiency of the farm. "My site managers handled, communicated, and managed this well and usually an employee, who has one or two lower grades in a month, then the experience usually is that there will be no weaker grades in the following months for that worker." (Interview_A_LM4)

According to the management, this monthly time frame is the most efficient since manual people are less likely to be motivated by rewards, which are delayed more than a month. (Interview_A_LM4)

Regarding the development of the PM, the sector manager argues that the most important thing is to adhere to the technological standards, rules, and regulations to the maximum. In addition, there are things that manual workers have no influence on, such as technical failure or bad weather. The main tasks for the management are to try to reduce and mitigate these effects. (Interview_A_LM4)

The technology can be constantly improved in the poultry industry since there are always newer and newer technological elements, guidelines, tools, and equipment to achieve higher productivity. However, these investments and developments in technology must be made based on a cost-benefit analysis. The farm managers receive training on the new technological processes. For manual workers, there is no need for this kind of training. So, performance management is not linked to the training at the employment level. (Interview_A_LM4)

Site managers / Farm managers

In production, manual workers and farm managers have goals and measurable performance indicators on livestock farms, so a formalized and regulated performance management system is implemented. (Interview_A_HR3)

Besides this, they are also considering revising the performance appraisal and indicators for site managers after the development of the controlling system next year. (Interview_A_U1)

The sector manager shares his annual goals with his site managers. The evaluation of the site managers is based on the sector managers' judgment and the site's effectiveness (performance indicators). The site managers are evaluated quarterly. (Interview_A_LM4)

However, the productivity of the site also depends on external factors such as bad weather, storm damage, or animal health problems. That is why the sector managers try to consider these external factors to minimize the impact on the individual performance appraisal. When the sector leaders evaluate their site managers, they also present the performance of the sites to the production director, deputy director, and owners. These presentations are just after the end of the quarter, so the financial closing numbers are usually not available yet. (Interview_A_LM4)

The bonuses for site managers are based on a four-quarter assessment and depend on the profitability of the company at the end of the year. The budget for the end-year bonuses is set by the owners for the site managers each year. The sector managers decide the distribution among their site managers in their own competence.

Sector manager

The sector manager's goals are set based on the previous year's figures while keeping the economic numbers at an optimal level as well. The sector manager argues that he usually sets goals as close as possible to the limits defined in the technology handbook. These goals can be measured precisely in each site during the year.

The performance of their site managers determines the sector managers' performance. So, they need to work effectively with them. This also supports both their professional development and the development of the company.

The sector managers present the quarterly performances to the founder owner's brother, who is the general manager. Based on the performance evaluation, there is bonus and incentive pay for the sector managers as well at the end of the year. However, they don't know the possible amount they are eligible for. It depends on the company results, which are influenced by the market and the economic situation related to coronavirus. The sector manager argued that "it's in everyone's interest that the owners are satisfied with both professional and economic numbers and myself and my team have that attitude that strives for that goals." (InterviewA_LM4)

HR managers also confirmed that in addition to the monthly salary, the management tries to honor and recognize the annual performance of shift managers, site managers, and sector managers by giving year-end rewards. Specifically, at the end of the year, everyone got a monthly reward, and after the annual closing in April of next year, they also received a certain amount of reward which were differed individually. Three family members made the decision subjectively on the extent of the rewards, such as the CEO successor, the predecessor, and the predecessor's brother. „It is completely subjective and different. It is up to the owners to decide how much they want to give." (Interview_A_HR3)

"The boy offspring, I know his father doesn't work here anymore, but he does, too, and the owner's brother, so they actually decide it. So, here, as a multinational company, it is still mixed with the family business." (Interview_A_HR3)

There are not any regulations and policies. HR director suggested writing down a corporate remuneration rule, but the owners think differently, and for the time being, they would like to keep the decision in their hands. This means that if the corporate results allow giving rewards and the owners want to, then they will reward. In practice, at the end of the year, they met, and the HR manager gave them a list of the eligible managers and how much benefit these managers received last year. The three of them went through the list and made the decisions based on different aspects, which is in their heads and unknown to the HR professional. (Interview_A_HR3) I would like to highlight that this practice was only described by the HR manager, while neither the predecessor nor the successor did not mention it in the interviews.

Communication

The daughter stressed that direct communication within the family and with colleagues is very important (Interview_A_U1). This principle also seems to help resolve conflicts, based on the following example.

Sector managers on the production line are those who are still in contact with both the manual workers and the CEO and foster top-down and bottom-up communication. Interview_A_HR3)

The company faces some challenges in both top-down and bottom-up communication. The owners were dissatisfied with the communication flow because it turned out that the middle management did not transmit the required information to their subordinates at the lower level.

The solution to this was launching a management training and the salary increases retroactively.

The employees may receive filtered information or do not receive those who they should be. The biggest gap has been between the CEO and sector managers. The CEO is overwhelmed and very busy dealing with many things and managing many direct reports, so it was difficult for the managers to reach him. (Interview_A_HR3)

It would be necessary to delegate certain tasks, and decision-making rights to the lower level since the CEO do not have enough time to deal with that many managers as his direct lines at the three companies even though the middle managers would often need a more in-depth conversation about certain issues to give a cleared picture in the decision-making.

The CEO has already appointed his deputy, who will manage the branch leaders to bridge the gap between the top and the middle management level. This was already planned before the dissatisfaction of the middle management turned out. The duties and responsibilities of the deputy still need to be clarified; however, he will have more time to keep in touch with sector managers, even give them feedback more frequently.

Further development

According to the HR manager, the performance management system needs to be developed by creating and implementing formal rules and policies to define and standardize evaluation criteria. The practice is not used consistently and varies across sites. Workers who work on a site also know that they get more or less than workers at other sites. According to the HR manager, this has already caused tension among the colleagues. (Interview_A_HR3)

In 2021, the controlling system will be improved. Not only because they need this information, but there are also expectations from the French owner, so this cannot be postponed any longer. The controlling system can be the basis for formulating the expectations of the sector managers and factory managers. So, following the development of the controlling, information will also be available for HR to develop the performance management system. The leaders of each area will be involved in this with the cooperation of HR. (Interview_A_U1)

In connection with the preparation, they want to define more specific performance expectations (KPIs) such as cost per egg and hatching. When the management reviews the performance of the sector managers, they already view more or less these kinds of production indicators. Although it is not regulated in reward policy, it still helps top managers differentiate to some degree among sector managers. Meanwhile, the founder's brother looks at how the cost per egg is changing quarterly and every half of the year. He is interested in why the cost is so high, what they did not pay attention to. They want to clarify these indicators and upload more information to the controlling system for that. (Interview_A_HR3)

Furthermore, performance management is only linked to the compensation system for manual workers in sites and factories. At higher levels, this still needs to be developed. During the COVID crisis at the end of summer, there have been more tensions, which highlighted that this issue needs to be addressed. At the level of sector managers, there was a high degree of dissatisfaction and despair. They became less loyal and started to burn out. Therefore, they did not communicate the information and instructions properly, which the top management wanted them to transfer to the lower levels.

Sector managers on the production line are those who are still in contact with both the manual workers and the CEO and foster top-down and bottom-up communication.

Dissatisfaction was also linked to the fact that while manual workers received a salary increase in line with the statutory minimum wage, the usual salary increase for site managers and shift managers was postponed in April due to the pandemic. This meant that these managers working closely with manual workers did not receive their salary increase. In many cases, these managers did not earn much more than their subordinates. Later the salary increase has been implemented retroactively from 1 August. However, the HR director argues that the company needs to pay attention to avoid this internal injustice next time (Interview_A_HR3).

The CEO recognized the need for change and called for external HR consultancy to assess sector managers' needs, skills, and motivations by interviewing them and later providing training and development for them. The sector managers were able to express their opinions and voice their dissatisfaction during these meetings. Besides this, the predecessor's brother visited the sites, told what he wanted, and listened to the middle management's problems. The consultant has also given feedback to the CEO, and the positions are starting to converge noticeably. (Interview_A_HR3)

Performance Management of Family employees

The predecessor/founder tries to avoid giving suggestions. He was rather asked to share his opinion about the strategy. „I never put it this way that I would do this... and they do not require this.” (Interview_A_E2)

The predecessor considers his successors as very determined, strong individuals - and more and more other non-family managers are also like this -, who can defend their decisions, opinions regarding strategy, but the principle is that every decision should be backed and proved based on figures and numbers.

Before establishing the joint venture with the French partner, the predecessor with his children started to sit down in his office and discussed the current issues regularly (e.g., every two days or weekly) in the mornings, when it was necessary. During these meetings, the predecessor does not evaluate or give feedbacks to her children. The aim of these meetings is to discuss more the goal setting, strategy making and what's happening in the market, how the external environment changes, and whether the development direction is good. So, the predecessor plays a role in showing the direction (Interview_A_U1), and he tries to avoid giving suggestions in anyhow: „I almost say I avoid counseling as well” (Interview_A_E2). The predecessor and the two successors do not evaluate each other's performance either. According to the daughter, it is because they all know if somebody made a mistake or did something wrong. They get together frequently and discuss the tasks and the problems. But they do not give feedbacks by explicitly saying that you did this well etc. These informal discussions remained after the change of ownership. However, a new formal governmental mechanism is also developed when the new ownership structure is established.

The two successors with a French member constitute the board of directors. The board of directors reports to the Supervisory Board, which meets quarterly. This is usually a half-day presentation, in which both the members of the board of directors and Supervisory Board

participate. The daughter makes the presentations, which the son presents to the Supervisory Board. Their report is about the status of the strategic goals and investments, monitoring of the plan, and actual data of the recent period. The formal governmental mechanism strengthens the informal processes, and it makes decisions made in the informal process visible. “This is an informal conversation with large numbers, possibly but not with a presentation and not with such specific prepared materials. While this quarterly supervisory board is a formal thing.” (Interview_A_U1)

The principles have always been that everything must be calculated and decided based on profitability. However, the decision-making became more regulated and prepared as at a multinational company. So, they consider it as a positive development in the decision-making processes. Moreover, the changes in the governance add only one extra step in the hierarchy, so the decision-making remained fast and flexible that the colleagues could also learn and adapt to it (Interview_A_U1). The Supervisory Board has accepted the report every time since the suggestions were well-prepared, professional every time (Interview_A_E2).

There is also an evaluation in detail every month based on the accounting report of the corporate governance system. The supervisory board evaluates the performance quarterly and annually based on the actual figures compared to the annual production plans and development investment plans. It also defines the task of the BoD quarterly. The BoD can make a suggestion on modifying the plans. (Interview_A_E2).

There are definite development investment plans, production plans, and how they stand compared to the plans every year. The Board of Directors can propose changes to the plans if the circumstances change (e.g., COVID or birth flu), and the BoD and the Supervisory Board members make strategic decisions together. The Supervisory Board has always accepted the board of directors' proposal so far because it was prepared, professional, and there was always a consensus in their cooperation so far. (Interview_A_E2).

Other HR

There is leadership development training related to the compensation for sector managers. Besides this, the company provides mainly mandatory training.

The company won around a HUF 100 million governmental support as a large company to invest in corporate training, but the HR manager faced great managerial resistance against it because the managers could not allocate time for dealing with it, so the company finally canceled their application and did not get the support. According to the HR manager, the owners might not be open enough towards this training since they could not see how it will pay off later as a long-term investment for the company. (Interview_A_HR3)

HR manager argued that management training would be useful for team managers and shift managers in both the factories and the sites to retain employees and reduce fluctuations. Dealing with unskilled manual workers can sometimes be challenging. However, the managers also need to learn how to handle conflicts even if it is a stressful day. So, the conflict management skills of the management need to be improved. HR manager adds that management training would improve working conditions and environment a lot as well. In addition to that, there is also English language training. In the long run, it is good if the middle management will be able

to talk and provide information directly to the French experts, and there is no need for the direct involvement of the owners. (Interview_A_HR3)

There is also excel-word training in business administration. These trainings are not channeled to performance appraisal; however, the successor considers it as a good idea to motivate personal developments for the future. (Interview_A_U1)

The effect of PM practice on perceived justice

Consistency and clarity of information, process, and expectations

According to the successor for the blue-collar workers, the PM and PA processes work as fair and just. Goal setting is transparent and understandable. The strengths of the PM practice are that those processes and elements, which have already been in place, works well in the production. The goals are clearly set, the performance indicators in the livestock farms are understandable. The performance can be accurately measured and evaluated accordingly. The colleagues know the goals, and the expectations towards them are well-defined.

In the business administration field, informational practices could work as well without formalized processes because of open communication, which plays a key role in the organizational culture. If an error occurs, it is openly discussed with the colleagues, and they receive feedback immediately.

“It is from a family business or from this family nature that these communications are open to everyone at all levels. We do not have a formalized operation or a formalized office world.” (Interview_A_U1)

The PM and PA are not so tightly controlled for the white-collar workers, and this should be improved to be just. (Interview_A_U1)

Accordingly, further steps should be taken to ensure that expectations are clear and evaluation criteria defined and communicated properly, such as developing more accurate evaluation metrics.

Communication and voice

Based on the interview with the sector manager, the manual workers can raise their voices they receive a proper explanation about the assessment, but this can depend heavily on the personality of the sector manager.

According to the sector manager, “the people are always prone to be more dissatisfied and expect more. But on the other hand, when they are confronted with real numbers, there are those who see after them, there are those who do not, but since the evaluation is based on professional and economic numbers, I think this is an exact system. After that, we, the leaders, have to communicate downwards and justify it based on common sense, and there is no problem with these” (Interview_A_LM4). If somebody complains about his grade and deduction, it is important for the sector manager to take the time and explain the reasons behind it. However, the people are different, and there is someone who accepts the explanation immediately, and there is another who needs more time and may require discussing it once again. All in all, the

sector manager argued that the performance management system is sensible, fair, motivating, and transparent. (Interview_A_LM4).

In the case of the middle management, the complaints of the managers were listened to, and further measures were introduced soon to reduce their dissatisfaction. (Interview_A_HR3).

The Effect of the Family

The presence of family affects planned performance management

Bifurcation – No bifurcation bias

Based on the interviews, there is no bifurcation bias at the company. Family managers also need to meet formalized performance expectations and play a role model based on the common values of the family. (Interview_A_E2). They see no difference in the HR employment procedures. The daughter also mentioned as an example that employment is equally flexible for family and non-family workers. Family managers take their leave in the same way as everyone else. (Interview_A_U1).

Formalization

Informal processes still play a major role in the management structure.

The low level of formalization of the management structure is particularly striking compared to the high level of formalization of the governance mechanisms. Compared to the size and continuous growth of the organization, the performance management system and its processes and the controlling system are not formalized enough, and the management argued that formalized processes should be expanding to other areas as well. (Interview_A_U1; Interview_A_HR3). “Compared to this big size of the company, this is still a drop in the ocean... there is little room for maneuver.” (Interview_A_HR3)

Formal systems are being introduced gradually and only where it is necessary.

Where performance can be measured directly in production areas, objective performance evaluation is used for manual workers. Formal systems are being introduced gradually and only in areas where it is necessary (e.g., size, mass-production, quality assurance). Where a strong organizational culture and personal relationships can replace formal management processes, they keep engaging in the informal practice.

The HR manager even argued that when it is already very necessary, and there is a lot of tension and dissatisfaction, the management reacts and takes steps. „We won’t deal with it until it starts to get very tense” (Interview_A_HR3)

CEO as a driving force in formalization and professionalization.

The HR manager emphasized that first, the owner-managers need to accept the need for formalized systems. They need to realize they must introduce formalized processes to retain the workforce. (Interview_A_HR3) According to the HR manager, the importance and attitude of the leader are much more important in the current situation than whether the company is a family business or not, since all the family members support the CEO. “The CEO is the driving

force if he gets into something and decides on something, and the company must do it, and there is no going back.” (Interview_A_HR3)

The effect of family influence on actual PM practice

The family controls the appraisal processes of managers and office workers

While the predecessor is a supervisory board member, he stated that he is no longer involved in operational management. The successor daughter also confirmed that the predecessor gives only guidelines, but he is no longer involved in the decisions.

At the same time, non-family managers perceive like the predecessor is still present in the performance appraisal. The CEO, the predecessor’s brother, and the predecessor decide on the year-end bonuses and salary increases, while the HR manager's evaluation mechanisms and criteria are unknown. The family has complete control over the process.

Predecessors support formal processes informally and help develop and design them even as part of the succession

The sector managers present the quarterly performances to the founder owner’s brother, who is the general manager. „We are mainly used to present quarterly to him because he supervises and controls the production side from the owner family. But of course, he also informs the founder-owner or predecessor owner may ask it directly from the sector managers. What is the situation in our area? Is there a problem? How do the sites perform? So, it varies. So, this is such a family company, the roles are divided according to which area of the company is supervised by which family member in the first place, but because it is a family, another family member sometimes asks us. This is completely natural because everyone in the family belongs to the circle of owners.” (Interview_A_LM4)

When I asked about the two successors' role in the sites' evaluation process, the line manager argued that both are more looking at the company’s economic numbers. “They ask about professional numbers less often than the founder’s brother or the founder himself, but they are still interested in it. They prefer to look at the economics side because, if I am right, they both have a degree in economics. So, they tend to oversee that area.” (Interview_A_LM4)

The presence of the predecessor provides extra motivation for employees during regular evaluations

Besides formal processes, the predecessor also takes advantage of the motivation that comes from personal relationships. Owner predecessors may participate in evaluations next to the superior managers, which is motivating for all participants.

The effect of family influence on perceived PM practice

Family managers’ ownership approach can strengthen employees’ perceptions of fairness through setting an example of a hard-working work ethic.

According to the predecessor, there is a difference between family and non-family firms. As long as the owner is also active in the family businesses, there is an ownership approach. Non-family employees “no matter how well they are working, they may not be able to practice the ownership thinking day by day as the owners do” (Interview_A_E2). He always had a sense of responsibility or an obligation for the nearly 2,000 people working there. “I’m not motivated to make a profit ... I add that I don’t have anything 50-50% outside of our family house, so I don’t have a house abroad, I don’t have a holiday home, neither at Lake Balaton, unfortunately, or not. So, the main motivation has always been to build the company from scratch, so this is a very big success, a very big experience for us, so this company needs to develop.” (Interview_A_E2).

Based on the ownership approach, family members are motivated intrinsically to set an example for the other non-family employees. To the question of whether there is a difference between the performance expectations and evaluations of family members and other non-family leaders, the predecessor answered the following: “They have already known that without me ever telling them. The task is to come after me. It’s not that you order others to go and do it, but rather you say come after me, and we’ll do it. That has always been the case... my brother got up at 4 am and called me at 6 am from the livestock farm. My daughter came from Budapest today. She was here at 8:30 am after more than a two-hour-long drive... in the afternoon, she closes the company. So, I didn’t have to; it wasn’t like that, there’s no difference.” (Interview_A_E2) This indicates that common values serve as guidelines for family members in case of performance and work. Family members should act as role models and work harder, not because they must but because they are intrinsically motivated to do so.

According to the predecessor/founder, both successors have a similar attitude to work. They work a lot, and even they need to be held back. They had to gain knowledge in order for their colleagues to accept them, especially those who had been working there for 15-30 years. He argues that the leader must have the knowledge to conduct professional conversations effectively (Interview_A_E2). The daughter also confirmed that it was important for them that they did not immediately sit in the boss's chair. Thus, they could gain the recognition of their colleagues during that time (Interview_A_U1).

In their family, performance is always linked to the requirement of setting goals, which are measurable and achievable. It is also important that it is rewarded or acknowledged if it is achieved, so it is a good thing. In her childhood, she learned that “it’s always something we’re heading for... something that one sets, not just one is floating in space. And then fight to work hard. Well, I think it’s such a general family principle that work should bear fruit; you just must be persistent.” This value is reflected in the family business so that if one works fairly then, the company recognizes him/her. (Interview_A_U1)

The effect of family influence on the outcome of PM practice

Loyalty is an important evaluation aspect in performance management, as those who have worked there in the past know the strategic goals better, and thus, they are more committed to them. In the long run, this can foster both individual and organizational performance.

Regarding the evaluation, the daughter argues that loyalty is also a performance indicator in a family business, so “this is also an aspect of performance, how loyal someone is to the company, the family. We identify the two as one.” (Interview_A_U1)

Family values are also interwoven with the performance appraisal. In their case, they value loyalty as a plus in performance appraisal. That means the family firm values trustworthy colleagues, work for the company's interest, and think long-term. "So, when we talk about the salary increase at the end of the year and then it's okay to bring the numbers and okay how much you can deliver for the company's sake along with its values. But will he/she be here still in the long term for sure? Can we account for him still working here for years?" (Interview_A_U1)

Based on this judgment, the family firm can give a colleague the opportunity to move up the corporate ladder and can build a career if he/she wants to. The successor argues that valuing loyal people pays off for the company in the long run since the colleague can understand better what, why, and how the company works. He/she understands the goals, the strategy of the family firm. In contrast, it is not effective for a large non-family multinational company if someone wants to know other areas because it costs extra time, energy, and money. She also adds that this opportunity is open for white-collar people and blue-collar people, especially now when it is very difficult to find and keep an employee.

The family CEO is able to respond immediately and effectively to dissatisfaction with the system with the support of the family.

Due to the dissatisfaction of middle management, the management did not transmit and communicate the messages of the owners to the lower levels properly. The reason for dissatisfaction was the lack of salary increases at management levels due to the pandemic.

The CEO took action immediately and effectively as follows. The wages were increased. They assessed the situation to get to the bottom of the problem with the involvement of an independent consultant. As a result, they were planning to start leadership training for managers. The founder's brother, as general manager, also visited the sites to communicate the messages of the top management properly. Finally, a deputy director has been hired and appointed under the CEO, who can control the area more intensively and also ease the CEO from managing the production area.

The impact of the family business system on the family system

During my analysis, I did not find any effect of the family business system on the family system.

The power structure has not been reflected in a formal governance structure. As a member of the board, the daughter controls the support areas at the operational level, but this is not reflected in the formal structure with a corresponding leadership position. Yet informally, she is considered as the leader of the given fields more and more. Non-family managers adapt to that.

Other elements of the conceptual framework

Contextual factors

Internal fairness is achieved within each site; however, external unfairness between sites exists. The basis of the bonuses is not equal and range from 30 to 90 thousand HUF across sites. The

sector managers know the differences, as they manage not only one but usually several sites. This can be traced back to two reasons.

Different labor market situations cause inequalities between sites

The sites are in different regions, where the prices and income levels are different. (Interview_A_HR3).

Due to different levels of technology, the requirements for the workforce are different

Each site has different technological capabilities and requires different technical skills from the workers. So, in one place, a worker must do more physical work; in the other place, he/she must understand more about how different ventilation systems work. These affect the extent of the bonuses significantly. The manual workers are mainly unaware of these differences between sites. At the same time, it has happened that this information has leaked, and the workers in less-earning farms found out and complained that they are earning less compared to others. While the managers agree with the differences, it is untraceable from an HR perspective, and it also makes management support difficult for HR (Interview_A_HR3).

While manual workers received a salary increase in compliance with the law, salary increases of the management were delayed due to COVID. That caused dissatisfaction at management levels.

The company has grown drastically within a short period of time, and the management could not catch up with this by implementing new rules and policies and formalized processes.

5.3.2. Family Business Case “B”

Introduction

The company is located in East-Central Hungary, which is part of Northern Great Plain. The family firm employs around 250 people. The company was founded in the early '90s, and it has been growing steadily ever since. It is engaged in vegetable and fruit processing and quick-freezing in two plants in Hungary. It has two subsidiaries. The Hungarian subsidiary provides fruit and vegetable raw materials for production. The other subsidiary is engaged in the packaging and sale of quick-frozen fruit and retail vegetable products in Romania. The vast majority of its sale is intended for export.

Regarding the basic process technology of the main company activity: Vegetables require such as corn and beans high volume and high technology, while the fruits need low volume and technology since at one time the processed amount of fruit is small.

The vegetable and fruit processing and quick-freezing industry is a large capital-intensive industry.

The biggest challenge of the industry is that fruit and vegetables cannot be processed during the whole year. In the beginning, the company must achieve a one-year sales volume in a 7-month original processing cycle. Later, they could increase their proceeding period for 8-9 months a year by investing in their storage capacity and adding new plants to their production structure. However, their biggest Belgian competitor is about to achieve ten month-long proceedings period by including other additional plants in the production structure.

There are high barriers to entry into the market. That is why newcomers rarely appear in Hungary, and their main competitors are mainly from other countries. The competition is expected to be sharpened more and more in the upcoming years because of growing competitors in Ukraine and Russian.

In 2008, they bought a plant with a storage capacity of 1,800 tons, which they extended to 32,000 tons. Its production capacity increased from 4-5 thousand to 12-13 thousand in the first year.

The Romanian subsidiary has been profitable for years, and the owners were able to find management there who is loyal to them, and they can trust the management to manage the company with great autonomy. The company has embarked on significant developments over the past year, which will last until 2024 in the coming years.

Their first plant is in a village, where the family lives. They consider themselves local patriots, and they aim to maintain the operation in their first plant. However, they know from the beginning that the old plan is unsustainable in the long run because of its limited capacity. That is why they bought their second plant in 2008. Until the successors joined and it became a little easier to manage the company, the parents were reluctant to have a go at the investment and development of its second plant due to its complexity, including biological wastewater treatment, replenishing wetland areas, etc. They started the investment project last year, which they planned to last from 2020 to 2024 until the new plant can operate in full capacity. The family business has outstanding performance indicators due to the company controlling system and business intelligence systems, which even help make immediate decisions. A strict

controlling system is maintained to raise the money needed for developments. However, this is unsustainable and cannot be maintained in the long run since it means people are required to work under a lot of pressure due to measuring them on a strict schedule. After the investment projects finish, the owners retire, and the company can follow a much looser and sustainable business operation (Interjú_B_E3).

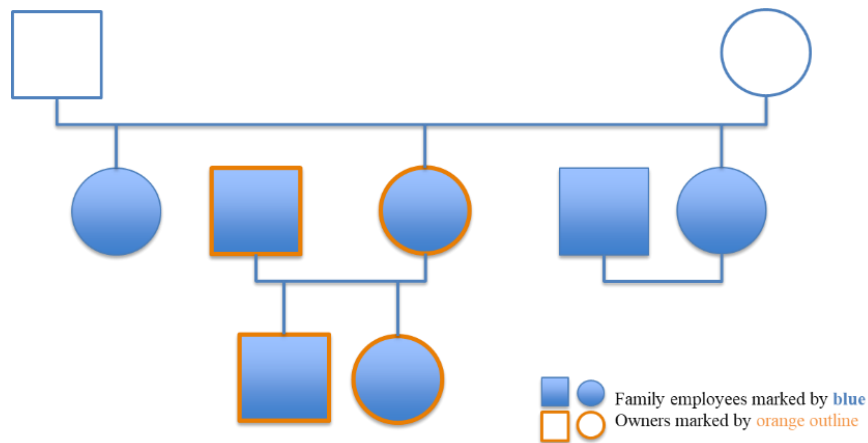
The company is very successful with excellent financial and efficiency indicators. The business is characterized by continuous development that meets the security needs of its employees. (Interjú_B_LM2). The company showed significant growth in the last three years in all key financial metrics. Sales increased with a CAGR of 20%, while profitability increased even with a higher growth rate showing a CAGR of 42% in EBITDA and 35% in Net Profit. As a result, both EBITDA and Net Profit margin increased from 12.4% to 17.6% and 8.5% to 10.9%, respectively. This performance is quite remarkable and ranks well in industry comparison. (See also in Table 34)

Introduction of Family ‘B’

The company was founded by the two parents in the early ‘90s. Nowadays, seven family members work at the family business. The parents still lead the company group as executives. The mother is responsible for the production and finances. The father is responsible for the so-called “business”: the supply of raw materials, keeping contact with farmers, defining sales directions, and implementing daily operational developments. The two parents make decisions jointly in strategy and development. However, the father already has shared the duties related to commercial activities with their son. While the father is engaged in domestic trade, the son is responsible for the export trade and Romanian subsidiary from 2021 as part of the succession. Their son started to work at the family business eight years ago. Their daughter has been working there since 2015 after she graduated from the university. (Interview_B_E3)

The daughter started working in the marketing department and dealing with product packaging. These tasks and areas did not exist previously at the company, so she had to figure it out by herself without a mentor or a manager (Interview_B_U1). During this time, she had the opportunity to get to know the company and its daily operation better as an employee. Through employer branding, which is an overlap area of marketing and HR, she became more and more involved in HR. She became an HR manager a year ago after the HR manager at the time had to leave the company due to health concerns. Currently, she is responsible for marketing and HR. The two sisters of the mother are part of the top management team. For 10-15 years, the eldest sister of the owner (mother) was the third person in the company and worked as a Production Director. She has retired now, but she is still a board member and the deputy of the current director of production. The mother’s brother-in-law also works as a non-manager employee (preventive maintenance mechanic) for the family business. (Interview_B_E3)

Figure 32 - Genogram of controlling family of Family Business „B”



Family Involvement

Currently, four family members own the company. The family acquires 100% of the company group. The successors own 95% of a family business with 20% of the voting rights and dividend rights, while the parents own 5% of the family business with 80% of the voting rights and dividend rights. The family participation rate in the top management team is almost 25%. There are six family members out of 25. The executive is a family member. The family firm governmental configuration type is a transition between the owner-manager and the sibling partnership. Their family rather prioritizes family first than business. According to this, in line with the argument of Zellweger (2017a) the family firm’s key challenge is the dependency on owner-manager and succession.

The owners still manage the company, and two generations work at the family business. The owner family defines itself as an entrepreneurial actor, and its self-understanding is closer to „Family Business” rather than “Business Family.” The diversification of its product portfolio is low. The company group includes four company including a non-operational subsidiary. They can relate more to the family first philosophy and prioritize family-related goals over business goals. The company has a strong relationship with its stakeholders. The family member’s identification with the company is high. When I asked about the values, which PM can represent at the company, the successor answered this way: “It’s a knotty question, especially as a person whose company is like his/her sibling. We used to say with my brother that it is our third sibling because we are three... the firm is the youngest. We are the two seniors, my brother and I, and then the company comes.” (Interview_B_U1)

Succession

The parents started to pass the torch on to their two children. The two successors have already taken over some part of the management. The owners/parents want to carry out the investment under their supervision and control to help to start the plant, create the production structure, and the final organizational structure. They want to hand over an independent, functioning, long-term sustainable company group to their children and the future management.

The owners are planning to engage loyal non-family senior executives by involving them in ownership after the major investments and developments are over. The predecessors have built the company as owner-managers together by supporting each other from the beginning. They have the necessary knowledge and background to lead the company group. However, they worked a lot, and their children do not want that, and they also do not intend that for their children (Interjú_B_E3). The priority of their daughter is to establish a family and have a child in the coming years (Interjú_B_U1). It would place a huge burden on their son alone, who has also got his own family. That is why the predecessors want to give ownership stake to their loyal managers to provide the same support to their children in management in the future when they pass the torch. (Interjú_B_E3). This means that the owners think of mixed succession both in management and ownership later.

Human Resource Management

As part of the professionalization, the HR position was formed at the company three years ago. Nowadays, it is under the control of the daughter as an acting HR manager, and the HR department consists of two HR colleagues and the labor team besides her. (Interjú_B_U1)

The HR strategy consists of four elements: 1) a corporate culture that recognizes performance; 2) training and qualifications, 3) employee involvement, 4) external-internal communication. All other HR practices and measures were built upon and in line with these four elements. They have tried to implement practices that, on the one hand, the company can handle, so it can be undertaken in both financial and human resources, and on the other hand, they foster employee retention in the short, medium, and long term based on them. The impact of each measure on motivation is examined not by organizational departments but by company level.

The hierarchy of the organization is high, and it consists of 7-8 organizational levels.

At the bottom of the hierarchy, there are skilled workers and manual workers. Most of them have whether eight classes or graduated from a vocational high school. At a higher level of the hierarchy, there are middle managers who usually have also graduated from a vocational high school as some of their subordinates. At the top management level, there are senior executives and directors. There is a huge gap between middle management and top management in expertise, work experience, and qualifications. That is why team leaders are between the two levels mentioned above as an intermediary level. (Interview_B_U1)

Performance management and appraisal system

Performance management aims to give feedback, show appreciation to the employees, and foster commitment as a stable company. It is key that employees are asked about their own development needs and career path, while financial benefits are less important from year to year. The performance appraisal system and its related performance appraisal form is rather a „performance measurement system,” and it is strongly linked to their remuneration and premium system, the so-called “incentive system” at the company. “There is still a confusion about what is considered a performance appraisal and what is an incentive system” even among middle managers (Interview_B_U1). On their online platform, the “incentive system” is called

a performance appraisal system. This means that the achievement of numerical annual targets is mainly evaluated, and job-related competencies are not taken into account.

There are **annual performance appraisal discussions**, which are part of the company culture at all levels, such as senior executive, middle management, and factory worker level. Employees are asked about their opinions and suggestions about the improvements regarding their jobs, their supervisors, and the company for many years to increase employee involvement. (Interview_B_U1)

At the factory worker's level

There is an appraisal discussion at the factory worker's level as well, in which the supervisor, the worker, and an HR generalist participate. At one point, the supervisors are asked to leave by HR to openly give feedback about their supervisors. (Interview_B_U1).

At the middle management level

Performance appraisal discussions have a long history in the family business at every level, from the middle management level. HR employee, the middle manager as appraisee, and his/her direct supervisor as an appraiser participate in the discussion. They went through a supporting sheet focuses on questions like "how you feel at the company?", "tell us about the past year?", "what are your suggestions to help your work?" (Interview_B_U1). During these discussions, they did not give direct feedback and did not discuss the assessment of the objectives, which was set previously. Since last year these discussions and the related sheets were redesigned and shift from collecting narrative answers to numeric feedbacks and scales to support statistical metrics more.

At the top management level

The two owner-managers define the family business's vision and strategy. The board of directors is involved in the development of the strategy. That is why they can identify with strategic goals. Besides the individual discussions at every level, there is a 2-day-long leadership meeting with family and non-family senior executives once a year. In addition to this, there is another leadership meeting with senior executives and middle managers in which each department's vision and strategic goals are communicated and discussed openly, including the successor's individual goals.

Currently, the four owners participate in the appraisal discussions with the top management.

There are 25 managers in the senior executive team, including the four owners. Previously, only the two parents sat down with each top manager together or separately, either just the mother or just the father. Two years ago, the son joined the performance reviews, then a year later, the daughter also joined them.

According to the non-family manager, the family members are very impulsive people, so they tell it immediately if there is a problem. So, the year-end evaluation conversation is usually always an extremely positive, motivating, or performance-recognizing conversation.

He also adds that "in my opinion, this is one of the most valuable forums... you can talk much more freely about things that are important to even the owners or me." (Interview_B_LM2)

Top managers who do not contact the owners daily and have had performance or other people management problems during the year will discuss them with the owners there, but the senior manager argued that these discussions are always about the future and find ways to correct them. (Interview_B_LM2)

Family employees

Performance evaluations and discussions among family members are usually not formalized. There is not necessary since they often talk about work in family lunches or dinners as well. (Interview_B_E3) However, they set individual goal settings currently (Interview_B_U1)

First, there was no specific performance evaluation for both successors in the beginning. They mainly relied on external feedbacks of the partners as main indicators. As the parents trust more and more in their capabilities, they have been entrusted with tasks with more and more responsibilities. For example, one of the successors dealt with packaging and organizing events in the marketing departments in the beginning. The external partners gave positive feedbacks. Later, she got the product innovation, and several products have won international awards at world food exhibitions. She had no performance evaluations, and it was not said out loud, but she knew that she “brought something to the table in that year.” (Interview_B_U1)

That year was a turning point for not just her but for both siblings, even though her brother had worked for the company there longer than her. The family started to formally set annual goals for both successors, which linked to the compensation system. They agreed to review and evaluate the achievement of the goals twice a year.

Formal goal setting and performance evaluation were preceded by three conditions here. First, the successors have already got to know the family business and developed a more substantial work identity. Second, they both established their own families; thus, financial incentives became more critical than their earlier stage at the company. Third, the parents also were satisfied with their work and attitude: “Our commitment to the company, to our job itself, and our diligence matter a lot for my parents. For us, that is very important. You must take an exam about these first. Obviously, they look at us exponentially more rigorously than other top managers, but that is the way of life; it is normal.” (Interview_B_U1)

The discussions about the individual annual goals and performance reviews took place at the mother’s office on weekdays and in the family house with their parents during the weekends when all four worked. That is why both siblings know each other’s individual annual goal settings and the process of how they got there.

The formal performance goal settings had a positive impact on the development of the successors. The goal-setting entailed more responsibilities and accountabilities for them. “You have to perform, and the goals must be completed on time, you must meet by deadlines. But I think it was absolutely constructive for both of us.” (Interview_B_U1) Later, there was open communication about the annual individual goals of the successors and the leadership meetings with non-family senior and middle management.

During the performance reviews, the parents also gave feedback on their work attitudes and personalities, what kind of career opportunities, development path, and roles they see in them in the future. “What kind of vision they see in us. Actually, this is the point of performance appraisal, here, when they do not work in the family business anymore... what kind of roles

they are assigned to us in the company...”(Interview_B_U1). During these reviews, they also talked about succession. One of the successor’s future roles as a mother is also considered in the planning. Do they discuss who will be those key people who support the son while their daughter is on maternity leave for years? Goal settings and reviews are strongly linked to succession planning. The future involvement of non-family managers in succession in management and ownership also leads to formalization.

Other HR

The results of performance appraisal are linked to other HR subsystems as well. In the following, I discuss this by each system to show that PM is an integral part of HR and develops organically with the other subsystems at the Family Business “B.”

Training and development

First, the line managers fill in a development form with their strengths and areas for improvements regarding competencies for managing change, collaboration, quality of work, professional knowledge. And what kind of specific training or support they need to achieve these goals. Second, individual development discussions take place in which the line managers and their supervisors discuss the individual development goals in the short, medium, and long term based on the expectations of both sides. The company has had a positive experience with this practice since around nine out of ten line managers could articulate their need for improvement last year (Interview_B_U1).

Compensation

The non-family manager argued that at a lower level, almost only money motivates people effectively, while at a middle-upper level, other motivators can have more effects (e.g., working environment) (Interview_B_LM2).

The business cycle is from June 1 to May 31 of the following year. At the beginning of the business year, the company sets the premium targets for each employee in the factories from directors to middle management levels, so office workers and manual workers are omitted. The individual premium target setting includes three main indicators: efficiency, cost reduction, quality improvement with different weights. The weights of the three categories must add up to 100%. Efficiency indicator usually gets the highest weight. The company also set general principles for the payment of the premium (e.g., production volume, sale of stocks, etc.). In line with this, the premium payments are in May, October, and December. If the production minimum is met regarding the whole company, an advance premium will be paid in October, which is 30% of the premium. The 30% of the premium is paid as a second payment in December. It is linked to the result of the given plant and individual performance, while the production maximum of the whole company must also be met. The remained 40% of the premium is paid as a third payment in May, and it is only connected to individual performance. The base of the premium payment ranges around two- and three-month salary at the middle management level (Interview_B_U1).

Job and work design and competences

The updating of job descriptions preceded the development of performance management. However, the job descriptions were updated, particularly not for the PM system but for two other reasons. First, the company launched a leadership development program last year and to evaluate the skills and effectiveness of management. HR applied a leadership assessment tool, which required up-to-date job descriptions at the management level. Second, the job descriptions of skilled workers must have been actualized as a result of a labor inspection as well (Interview_B_U1).

Recruitment and selection

Both the leadership development program and the performance appraisals pointed out that several shift managers were underperformed since they did not have the required management skills and competencies. This caused inefficiency of their works and stress. “The question arose automatically, how did we select these people?” (Interview_B_U1) In conclusion, the company reviewed its recruitment and selection program.

HR controlling

In 2020 the company started to develop an HR controlling and reporting system, which enables the company to track manual workers’ work history. Before that, it had happened that a worker hadn’t shown up for work for weeks without any notice. In addition to costing a lot of resources to fill the missing workforce for the company, these kinds of destructive behaviors are left without consequences. Now, the HR controlling system can monitor workers weekly and monthly in terms of working hours, holidays, and sick leaves. So, the supervisors can take immediate action, such as giving discipline and dismissal if it is necessary. Owing to these quick wins, the company determined to keep developing the HR controlling system.

Further developments

The goals set and the amount of work to be done are more than they can achieve or accomplish. Goals need to be improved to make them more realistic and achievable. (Interview_B_LM2).

The interviewees identified the following areas for improvement in the case of the performance appraisal system. Online performance reviews, automated workflows, and reports systems should be implemented in the future. Since in the current system, supervisors cannot tell whether the targets of the middle managers have been met and, if so, by what percentage. The top management delegates the goals to the middle management level. However, the middle management does not receive feedback on the fulfillment of these goals quarterly or semi-annually. Moreover, they do not receive feedback on their skills and competencies to be developed related to their jobs. As a result, several middle managers performed under expectations (Interview_B_U1).

Currently, they receive feedback, emails, and thoughts from the performance appraisal discussions, but these are mainly random, ad-hoc, and intuition-based. They have no well-documented information about the performance of the middle management. According to the daughter/HR manager at this size of the company, this current system cannot support the HR strategy effectively. Or only if the top management takes efficient time to keep asking their co-workers and seek to have conversations with them frequently, that is what they also did in the past.

The successor argues that “there is probably a problem with communication” (Interview_B_U1). There seems to be a communication gap between directors and the middle management, and the owners find inefficient the way how the directors communicate and delegate the goals to their senior executives. To foster communication, they organize director forums and middle management forums every month. However, one of the supervisors should always be there to control the work of the middle managers. Middle managers need to communicate the company’s vision and strategic goals to employees by strengthening top-down communication. However, they often cannot delegate tasks, organize work, and treat people properly. (Interview_B_U1).

Training for senior management is necessary to develop people management skills, treat people properly, and adapt to change constantly. (Interview_B_LM2) Middle managers, who currently left the company, can't with the change management at the company

The successor daughter also confirmed that those middle managers who currently resigned left because they couldn’t handle the changes at the company. (Interview_B_U1)

The effect of PM practice on perceived justice

Communication and voice

There is intense top-down and bottom-up communication to transfer vision and strategic goals and get employees involved in the developments at all levels.

Employees are asked about their opinions and suggestions about the improvements regarding their jobs, their supervisors, and the company for many years to increase employee involvement. (Interview_B_U1; Interview_B_E3)

According to the predecessor, a company works well if it has good communication. They organized the tasks by involving the people, forming different working groups, and giving them feedback on the development they suggest previously (Interview_B_E3)

Consistency and clarity of information, process, and expectations

The owners strive for consistency and clarity to establish a shared understanding of goals at the top management level. However, due to the differences in the middle management skills, the consistency and clarity of information at the manual worker level may differ up to the managers.

The changeability of decisions, processes, goals, and principles

Deadlines for meeting goals are not set by consensus, so the needs of individuals and groups are not always considered. (Interview_B_LM2) That indicates that the top and middle managers avoid conflicts to set realistic goals. Leadership training would support the development of this process.

The Effect of the Family

The presence of family affects planned performance management

No bifurcation bias, but expectations are higher toward successors

According to the predecessors, there is no difference between family and non-family employees regarding the evaluation of one's performance. There is no privilege and entitlement; everybody is judged based on their work and performance: "There can be no difference because I forbid it to a great extent." (Interview_B_E3)

The goal setting and the performance evaluation of the successors are perceived as transparent. And both the successors and predecessors agree that there is no bifurcation practice in favor of the family employees. In fact, the successor claims that "Obviously, they look at us exponentially more rigorously than other top managers, but that is the way of life, it is normal." (Interview_B_U1). The senior manager also confirmed that: "The parents are even stricter with them (ed. successors) than with the others, since they are both maximalists... and thus they obviously expect the same from their own children... they have the same goal-setting, the same expectations, and even that, when it comes, they get the same downfall, so there is no exception to this." (Interview_B_LM2). So, there is not any bifurcation practice, which is in favor of the family employees. That fosters fairness among non-family employees. The stricter treatment toward family employees has not caused any unfairness because of the same values they all share.

Equal treatment and transparency of goal settings and performance reviews are viewed as the family firm operating in a professional way. „It is also visible, but it is also transparent, and the company cannot be operated otherwise. Now, if serious people are working somewhere, this cannot be done in contrast to other serious people." (Interview_B_LM2).

Bifurcation bias favoring a family member who is identified as the "extended hand" of the owner

If a family member is identified with the owners fully and acts as an "extended hand" of the owner can be eligible for privileges.

While in the case of the younger sisters of the mother, the year-end performance evaluation is also carried out due to her job; the owner acknowledged that her older sister had privileges because she was the second person in the company for 10-15 years and had a close relationship with her until she retired. The owner communicated to the workers in that way "she is my extended hand in the factories." (Interview_B_E3)

Identification with the owner was so great that the employees probably did not perceive the lack of formalized performance assessment in her case as unfair. It would be like the owner would have assessed herself.

Formalization

They introduce a formal PM system by relying on informal processes to incorporate main principles (e.g., credibility, efficiency).

They assess the situation first before the policy-making. For example, in housing support for middle managers, the owners assessed through superior managers who deserve to be included, what criteria they meet, and what impact it would have on employees' motivation and attachment to the company. Company-specific rulemaking is essential for the owner to assure

that the policy is sufficiently motivating and, at the same time, the management remains credible during its application.

Formalized performance management practices for successors

There is a formalized performance management and assessment for successors, which leads to equal treatment and transparency of goal settings. According to Sundaramurthy (2008) transparent performance appraisal and compensation policies provide opportunities to build system-related trust to help the family firm manage the expectations of future generations. Ambiguity in the roles, expectations, and obligations is also a critical source of conflict, which can lower interpersonal trust levels. Consistency and transparency foster process-based justice or procedural justice.

When the successors got to know the company and proved their competence, diligence, commitment and were about to start their own family, they felt the need to establish financial independence by setting a performance-based bonus system with transparent goals.

Evaluation is carried out jointly with parents and children (transparency) and started at the same time regardless of how long they worked for the company (equality).

The importance of personal relationships is incorporated in the performance appraisal system

In a family business, directness with employees and a family atmosphere is very important. The controlling family places great emphasis on open communication and personal relationship in the family business. There are annual performance appraisal discussions, which are part of the company culture at all levels (senior executive, middle management, and factory worker level).

The effect of family influence on actual PM practice

Owners as family conduct performance appraisal reviews with the top management team

The four owners conduct performance appraisal reviews with the 25 non-family managers in the top management team. As the successor stressed that her parents care a lot about their senior executive team, and they feel that it is also crucial for the people: „These people appreciate a lot if we show interest in how they feel and what kind of conflicts they have...” (Interview_B_U1). The owners did not participate or show up in the annual discussions at the middle management and worker level, but the reason behind this, according to the owner not because they do not want to but because they cannot get there anymore because of their other duties (Interview_B_E3).

The effect of family Influence on Perceived PM practice

Personal relationship – management by walking around

The owner always goes around the factory, and she claims that she knows 80% of people by name. She is convinced that people need a personal conversation. That strengthens the perception that the owner is accessible and open for communication.

“I stop by to talk to this and that people, so they also know my family, my current situation, so I also know the situations of many. I ask what about them, how they feel, what’s going on. So, I think it’s good for the people too. I also usually stop by to talk to the last manual worker... I talk 5-8-10 people for sure every week at different levels, so I don’t sit in a management office. No-no. So anyway I go down to the factory, they work three shifts, it’s not too late, anytime, even if I go home at 6 in the evening, I go around for an hour to see whom I can meet, whom I can talk to, so I finish my day there.” (Interview_B_E3)

However, as the company develops year by year, the company’s culture also must change. The family atmosphere, the directness with the employees, are difficult to be maintained at the same level. The successor argued that it might not be suitable to bring emotions into the workplace that much. (Interview_B_U1)

Family managers’ ownership approach can strengthen loyalty and employees’ perceptions of fairness through setting an example of a hard-working work ethic.

Loyalty is very high in the family business. Employees can see that the owners work the most; even though they could do that, they don’t. They are held in respect and esteem, which also increases commitment and a more robust perception of fairness in the company.

“After all, if you see that the owners work themselves from morning till night, and the owner/mother is the last to go home every weekday and on weekends and she works, works, works, then one always pulls off one’s hat. And it also compels respect from the workers unawares.” (Interview_B_LM2)

The effect of family influence on the outcome of PM practice

Non-family manager with ownership promoted to higher leadership positions and got involved in the strategy

The family managers take ownership and responsibility for the family, the company, and those who work there. Though there are also employees who want to develop and learn and have an ownership approach, and they are committed to the strategy and work accordingly. Family owners reward these employees with a leadership position and involvement in strategy creation. These employees belong to the internal circle. (Interview_B_U1)

Incorporating experiences and suggestions of employees increases individual performance through engagement in the future.

The owner stressed that their decision-making processes and giving feedbacks (e.g., praise) are faster than other non-family businesses. Moreover, they can also incorporate the experience and suggestions of the employees at all levels much more efficiently and faster than a non-family business. “I do require that after these performance management discussions take place, their evaluations must also be processed in the short term.” (Interview_B_E3) The owners also argue that incorporating suggestions helps engage employees, which has a performance-enhancing effect in the future as well since the employees can feel that the management cares about them

Maximalist atmosphere stemming from the owners may lead to a lower level of procedural and distributive justice.

Strategic and annual goals are very tight year after year, which results in a maximalist atmosphere stemming from the owners. At the same time, the regular non-fulfilment of goals will not be reviewed next year, but the goals will remain just as challenging to achieve, resulting in tension at the employee and middle management levels. (Interview_B_LM2)

The impact of the family business system on the family system

The capability of the offspring to continue the business is evaluated by the parents based on feedback from external partners through informal processes

Initially, there was no formalized performance appraisal for successors, but informal evaluations relied on feedbacks from external partners (suppliers, international awards at world exhibitions). The successors became competent, and their self-confidence was strengthened. “I put something on the table then that year.” (Interview_B_U1)

Based on the feedback about the performance of the successors, the parents also were able to assess the capability of the offspring to take over the business. So, the informal process and evaluation could have been replaced by a formalized process.

The formal performance evaluation is also linked to succession, the development and career goals are set, as well as the succession-related company goals and tasks are also formulated (substitution in case of the daughter having children).

Succession

The predecessor and successor may evaluate non-family managers together to develop and prepare the successor for the succession by ensuring the transfer of core values and people management skills through generations and building trust between the successors and the non-family managers.

The four owners participate in the appraisal discussions with the top management. The predecessor, the successor, and one of the senior executives also mentioned this practice and gave insights into their experiences.

The successor argued that as they became more and more involved in the company and the strategic decisions and worked more and more with the top management team, it came naturally that they all would be present during the reviews. She also emphasized that it took time for them as successors to earn this with their performance and work.

The parents are solicitous for their senior executive team. Their key people are mainly among these 21 senior executives, and there are a few middle managers as well. These key managers are acknowledged as exemplary in loyalty, commitment, and work ethic. (Interview_B_U1)

The drawback of this practice is that these senior executives are usually older than the next generation. They may feel uncomfortable in this new situation, and they may be less open to the four or three of them than they would only be to the parents (Interview_B_U1).

However, this practice can be an effective way to retain their key people in the management. “These people appreciate a lot if we show interest in how they feel and what kind of conflicts they have...” (Interview_B_U1). She also pointed out that building trust across generations is a crucial factor during this practice. The senior executives might be less open and straightforward first than before. However, this practice can enable them as the next generation to start to build a stronger bond with non-family managers in the presence of their predecessors. The family can transfer trust over generations by bridging the gap between the next generation of the family and the senior non-family managers. “The key is the process itself... my parents transfer/delegate trust to us. Can you say this? They delegate? You can also feel it.” (Interview_B_U1).

According to the predecessor, the successors must have specific work experience and work with people to learn how to lead, manage and treat them, and evaluate their performances. It is essential to share the same values as their predecessors. They should stand up for the truth, but they should also be able to negotiate and make people align with the family business goals. They must have a team spirit to make the management team accept them and follow them. They should understand human behavior, recognize the qualities of everyone, knowing what and how to motivate people. It takes time to become a leader of the company. The successors are at different levels of this development due to their age and work experiences but on this path. (Interview_B_E3)

The predecessor argues that that is why these personal conversations are critical. Personal and honest communication can help to learn what the employees’ individual goals are and how they can manage to align these individual goals with the corporate goals. She stressed that it is never about fear to lose a position contrary to non-family firms. If they have the right values, family business leaders make decisions based on performance and human characteristics. Since someone can have an outstanding performance if he/she is unreliable, not sympathetic, not loyal, and driven by only money, she/he won’t fit in the family firm. (Interview_B_E3).

Striving for consensus and affirming and representing the same family values

After the personal discussions with each senior executive, the family discusses what happened in the meeting later. It is possible for the offspring to understand the background of decisions and reactions and for parents to learn about their children’s way of thinking. These conversations are neither regular nor formalized, and they usually happen out of work, on the weekends, when the family members are together. The predecessor explains the aim of this in this way:

“...they can hear the colleagues’ opinion about the given year, what they think of their performances. So, then we can talk about what we (parents) thought and what they (successors) can see. So, then we all can have a common consensus. Let them see our opinion, our thought of what we say or what we respond to within ourselves, or what we respond to the colleagues and their suggestions. So be eyewitness and ear witness of our thoughts and developments.” (Interview_B_E3)

Physical closeness helps to set an example and give opportunity for the parents to help their children in the work if needed (mentoring)

Moreover, this physical closeness can be observed in other cases as well. They also work physically close together at the workplace. The son’s office is next to his father’s office, the

daughter's office is next to her mother's office. According to the predecessor, the reason behind that is also similar. The children can hear and see the parents' actions, reactions, and behaviors with certain people. Consequently, the successors can learn these things from the predecessors at close quarters. (Interview_B_E3)

The effect of family Influence on Perceived justice of PM

Reciprocal nepotism

I could not see any sign of parental altruism or the Fredo effect. However, some characteristics of reciprocal nepotism can be observed. The mother's brother-in-law works as a non-manager employee at a factory worker level. His direct line manager is satisfied with his work; however, he does not have the ability and motivation to be promoted to the next level, so he remained in a non-manager position. However, when the owners are busy and have other family-related duties and tasks outside of the office, they ask him for help to act in their name. In this case, they ask permission from his line manager in line with the hierarchy first. When the line manager gives permission, the family employee proudly helps them out during the working time. The predecessor admitted, "he is very well satisfied with his job, he is proud to belong to the family, he knows he has privileges within the family as well."

Other elements of the conceptual framework

External situation – management studies foster preconception about family businesses that they are unprofessional

When I asked about these performance reviews of the top management team, where the four owners participate in the appraisal discussions with the top management, the acting HR manager as one of the successors answered this way: "That's what I wanted to tell you, I just didn't want to drop the bomb. Senior executives used to have a performance review with my parents. So now, we all four sit down and talk with each senior executive... I think this is not the case for every company. I don't think it's typical to have four owners who own the company, my parents as founders plus we, so four of us as a family participate in the performance reviews." (Interview_B_U1)

This showed as if she does not or hardly talk about it as she considers it unprofessional for outsiders. It raises a question: What does professionalism mean when talking about performance appraisals of the top management team, especially during succession at a family business? Since family business management does not belong to the mainstream management studies in the academy, familiness and HR practices influenced by the presence of the controlling family can be viewed as unprofessional and something which is better to hide. This may undermine the reliability of quantitative researches. These differences between academy and business can be grasped in the interview with Interview_B_LM2: "...we don't learn a lot about life in the university. This is not necessarily the university's fault, but life will be decided here in the labor market anyway. But I think what is described in management books is good for having a starting point, but you need to know that it should only be applied with the right flexibility and tailored to the organization by taking into account the exceptions accordingly... since what defines the given organization? The people who are in it, the owners."

5.3.3. Family Business Case “C”

Introduction

In the following, I present the basic profile, activities, key players, and brief history of the Family Business “C.”

The history of the company originates from cheese and butter production in the 19th century. A cheese factory owned by workers after privatization became close to bankruptcy in the early '90s. It was then that the current owner was approached to buy out the ownership as a financial investor. Since then, the family business has not just remained in the Family's ownership, but their members of the family have continued to participate actively in the operational management as well. The family business has been growing gradually to a company group. The company has four main activities organized into thirteen companies due to the market and institutional environment. First, they purchased a dairy to have their own raw milk, then they bought land to engaged in farming and started to grow fodder in an agricultural company. In the mid-2010s, the company group also expanded with a meat and milk wholesale company, in which there is non-family management. Thus, the family companies are vertically integrated.

In the following, I will focus on my research only on performance management and processes for non-family and family employees at the milk factory, while I examine PM practices for family employees at both company and company group level since the interviewees reflected that in this way.

The milk market is quite saturated, and there are many milk producers and dairies in Hungary. The market has become consolidated a lot, but many small plants have recently reopened due to state aid to strengthen artisanal and backyard processing. In addition, a new dairy was built by one of their competitors within a significant investment. Therefore, the company instead aims to achieve growth in exports, but there is also a lot of competition across Europe. Their primary customer is one of the leading discount food retail chains. Their milk 2.8% is one of their main competing products, which is a first-priced commodity product. The milk and milk products sector is affected by the Hungarian, Slovak, and German markets, in which even a cheese factory can process as much as Hungarian milk production. Besides the commercial commodity products, they also would like to grow in the less commodity product market.

The food industry was less affected by the pandemic; however, their profit could have been better by HUF 100 million if they hadn't been forced to sell raw milk at a loss because of the closing borders toward Italy and Croatia. Regarding financial performance, the company showed significant growth in the last three years in all key financial metrics. Sales increased with a CAGR of 13%, while profitability also improved, showing a CAGR of 89% in EBITDA and turning the Net Profit positive after being loss-making in 2018. As a result both EBITDA and Net Profit margin improved in the review period showing that management managed to bring the Company back to a healthy operational and financial track. (See also in Table 35)

The company is the 5th largest milk processor in Hungary in terms of the amount of processed milk. The Family Business ‘C’ produces ca. 40 million liters of milk yearly in the region of Southern Transdanubia. It employs more than 200 employees, excluding ca. 50 temporary workers outsourced from temporary work agencies. Most of their workers are manual workers, while there are 40 white-collar workers, including shift managers.

In 2019, the Family firm participated in the industry 4.0 digitalization state program in the food industry. Within the program, they started a Lean organizational development. CEO argues that this contributed a lot to the company's profitability last year through the developments and the attitude formation. They started introducing 5S and increased the efficiency of cheese labeling by process mapping. As a result, they have also launched several ongoing investments to reorganize and expand their warehouse capacity and start the development of a semi-automatic cheese line and an experiment with a cheese slicer. Recently a project has been launched in their quality management system. In connection with the whole organization is changing and evolving, and the colleagues are receiving ongoing training and support regarding the developments. (Interview_C_U1) However, Strategic HR developments have slowed down since the pandemic outburst. HR could not support the current KPI developments with management developments, training, or workshops on giving feedback, discussing experiences, etc. The HR manager and her colleagues with small children were overwhelmed due to the closure of kindergartens and primary schools. In addition, late-night emails and hectic working hours hindered work-life balance. They had to work from home and manage homeschooling in the family at the same time. However, the positive effect of the pandemic is that they have been developing a lot in online communication in the top and middle management levels. (Interview_C_HR2)

There is a lack of skilled labor with qualifications in the labor market. In 2020, the fluctuation was 39%, which is very high and related to specific areas where there is a lot of unskilled workers. That is why the company has already started to focus on their „in-house” quasi-vocational training for various professions (e.g., cheesemaker, pasteurizer) and production areas (e.g., dairy machine operator. During the recruitment and selection processes, they are looking for affinity, attitude, and soft skills. During the socialization and onboarding training, they introduce the profession such as dairy production and cheese production. The family firms would like to put even more emphasis on is onboarding training for newcomers because of the relatively high staff turnover. Furthermore, the training of newcomers and the development of stewardship, the achievement of goals (KPIs), and thus the formation of the organizational culture depend to a large extent on the middle management (i.e., shift managers). Therefore, their development will play a vital role in the future. (Interview_C_U1) As a family business, the owners and siblings have formulated their vision:

“Care for generations. We look at each other with care and responsibility across generations. We value diligence, care, and a good stewardship not only in words but also in deeds.” (Interview_C_U1).

While this vision is more a description of the mission, the family business stands out of the four businesses it has already had.

In line with the family business’s mission, the company aims to develop higher value-added products, innovative products. First, they aim to improve energy efficiency and foster automatization, so even in that small or medium-production size, they can achieve the level of efficiency that a German plant is capable of. While in the same time, they strive to take advantage of their flexibility. Second, they also aim to produce their labor-intensive products as efficiently as possible, which can also be a competitive advantage over the large companies.

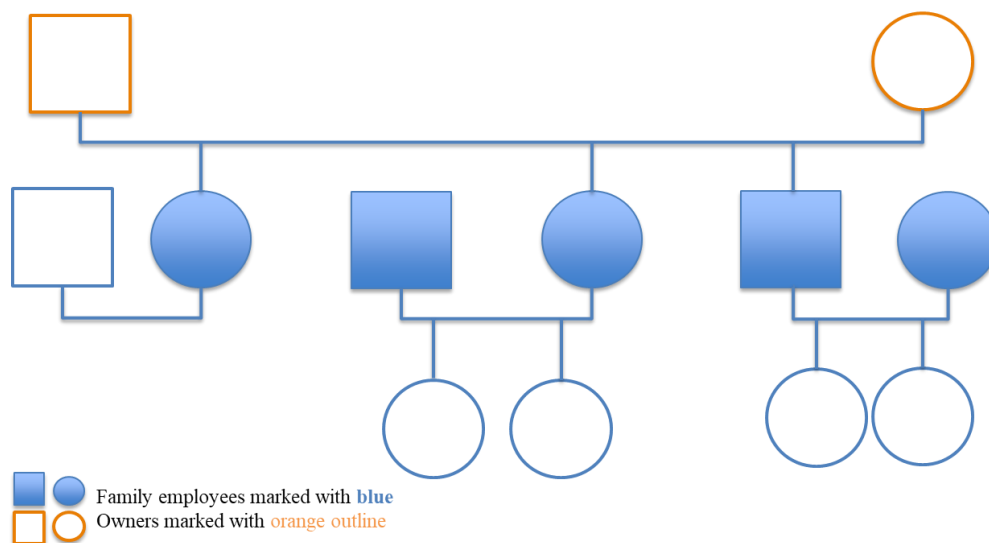
Introduction of Family 'C'

The founder/father and his wife own 100% of the family business. His eldest daughter first joined the company in the mid-2000s, and soon after, his younger daughter and her husband also joined.

Finally, his son and his wife have joined the company in the early 2010s.

The son manages the agricultural companies; all the other family members work in the milk factory. The youngest daughter works as the managing director in the milk factory. While the son's wife manages the HR department, and the oldest daughter is the CFO not just for the milk factory but for the family company group. The youngest daughter's husband works as Director of Sales.

Figure 33 - Genogram of the controlling family of Family Business „C”



Family Involvement

Currently, the father/founder and his wife own 100% of the company group, including the examined cheese factory. In the cheese factory, there are four family members out of ten in the top management team, including the younger daughter as an executive, the older daughter as CFO, the son's wife as an HR manager, the younger daughter's husband as sales director. At the same time, the son manages the agricultural company in the company group.

Nowadays, the family firm governmental configuration type is closer to the sibling partnership. The three siblings have a trusted relationship, and all the three children play an essential part in operational management. Their family instead prioritizes family first, than business.

Their guiding principle is that every family member can have a place and make a living from the company regardless of one's performance. (Interview_C_U1)

There are two generations at the family business.

Even though the founder was first a financial investor, nowadays, the owner family defines itself as an entrepreneurial actor, and its self-understanding is a „Family Business” rather than

a “Business Family.” However, their goal is that professional management will take over the company group in the long run instead of the family.

The diversification of its product portfolio is low, but the family firms integrated vertically in the company group.

The company has four main activities organized into thirteen companies; however, I only focused on the cheese factory in my research. They can relate more to the family first philosophy and prioritize family-related goals over business goals. They also claim that their identification with the family business is high

The company has a strong relationship with its stakeholders. The executive stressed that they “strive for fair and long-term cooperation back and forth in everything, so we are as partners, and it is not a “customer-supplier” relationship.” (Interview_C_U1)

Succession

The transgenerational intensions in succession are very high for the second generation. The predecessor has already passed the torch at the operational management level.

The father sometimes participates in counseling and consultations; however, they are still constantly working on its formalized structure and form.

In addition, the family is currently working on the next steps for succession in formalized meetings and workshops with a family business consultant to prepare the handover of the ownership as well from the parents to their three children.

They all agreed that the three siblings would own the family business equally; however, they are still working on its practical implementation.

They aim to establish a holding company and outsource the shared services of the company group (e.g., financial accounting, controlling, HR, etc.) there. All three siblings will be members of the board at that holding company.

The succession intentions of the third generation are questionable as they are between 5 and 18 years old. (Interview_C_U1)

Human Resource Management

The basis of Performance Management and performance-based Compensation System is to set strategic goals and establish KPI systems and develop a related monitoring and controlling system first. Accordingly, the company has just finished a 2-year professionalization and development process.

In 2019, they already looked at the ratio of productive to unproductive working hours in production and machine efficiency in relation to the controlling system. At the same time, Industry 4.0 has brought a change of attitude as well. Industry 4.0. helped the company establish a structured KPI system with an optimal number of indicators, leading to corporate results. They applied an X matrix methodology with the help of an external consultant. The strategic goals

were put together with the top managers, for which metrics were added, and these were cascaded down.

The final KPI system was established in 7-8 months. The strategy goals were set in a one-day workshop with ten top senior managers. Each senior manager had his/her own area of responsibility and key performance indicators, and they discussed what action plans were needed to do so. (Interview_C_U1) They also talked about individual and corporate values and how they fit together. Individual and organizational goals were tried to be explored and how they could be aligned. According to the HR manager, that could be the basis of performance management at a later stage. (Interview_C_HR2)

The CEO leads the implementation of the KPI system and the change.

"I did a lot for this and sat down next to them and talked to them. When I saw that there was an obstruction, I asked back why it is, what they couldn't identify with, how to modify it?" (Interview_C_U1) Last year, cost and efficiency indicators were developed and monitored continuously. This means that data related to the indicators have been collected, and top management, together with the plant management, was monitoring and clearing these data for more than a year.

In 2020, they introduced a bonus system, which they just want to change.

Last year, the shift managers, plant managers, and senior managers received a performance-based bonus; however, they did not receive a performance appraisal review.

From 2021, they want to base the compensation system on new KPIs as well as expand it. The reason behind this is that the existing system was launched in parallel with the strategic goal setting. That is why they would like to make changes within a year to merge the goals set for managers and the KPIs of shift managers and skilled workforce. During the development, they have already aimed to have not only two but all three types of indicators in each area: cost indicator, efficiency indicator, and quality indicator.

The executive manager emphasizes that the bonus and incentive system are tied to valid goals. However, it is questionable whether this information reaches the shift manager level. Do they monitor these indicators daily or not? She believes that they still need to develop in this, and that is why she also wants to involve the skilled worker level so that everyone pursues the common goals and interests. That is why skilled workers will also receive a bonus in 2021. Skilled workers consist of assembly line workers, the operators of the machines, the skilled workers in the production of dairy products, the cheesemakers who do the skilled work in the given shift. Regarding the frequency of the payments, while the bonus payments of the team manager are paid every two months, top senior managers have a bonus payment every six months, which they also would like to standardize in the future.

Because of the pandemic, they were unable to support the implementation and communication of the KPI and bonus system through training and development and workshops, as they would have liked, due in part to the workload of HR staff. Since many HR colleagues have families, they had to put extra effort to manage kids and home office and homeschooling in parallel. Therefore, strategic HR development has also slowed down significantly in performance management and other HR areas as well. (Interview_C_HR2)

Performance management and appraisal system

According to the executive manager, the goal of performance management is to provide employees competitive benefits when they meet performance goals so that they work together to achieve them. It aims to motivate employees to achieve a common goal. (Interview_C_U1) According to this, the goal-setting clearly reinforces the past focus and accountability approach and is based on the controlling system. According to the HR manager, the PM aims to align individual and corporate goals. It also gives senior executives empowerment, increases their commitment, and provides a sufficient challenge for them. In the long run, PM will change the corporate culture, the way of communication, and the leadership mindset, which will bring teams together and which will foster efficiency. The HR managers argue that the PM system should establish the basis for fair performance-based pay for colleagues. (Interview_C_HR2)

The HR manager stated that she would not consider the existing system as a performance management system. As a basis of the PM system, they have worked on the strategic goals and controlling system a lot in the last year. That was a critical learning process at the individual as well as the organizational level. As a first step, the CEO, HR manager, and each senior manager sat down to talk about the aim of their jobs, the key areas affected by their work, and how these connected to the larger corporate goals. The company goals were set in the short, medium, and long term on the one-day workshop. The KPI system was put together with the strong involvement of senior management. The three types of indicators were assigned to each area in consultation with them. (Interview_C_HR2)

However, the indicators are not cascaded down to the team leader level.

Nonetheless, the bonus system was introduced with payouts every two months. The HR managers argued that this was because it was necessary to increase employee incomes due to market pressures even before the development of the KPI system. The top management decided that they would rather increase the variable payments than the basic salaries to increase efficiency and effectiveness. This variable bonus payment is also linked to indicators but does not fully cover the KPI system. That is why this needs to be further harmonized so that the bonus depends on the performance of their area, which they can influence. The goal is to standardize this soon and adequately communicate and introduce formal evaluations and regular feedback on performance.

The shift managers, plant managers, and senior managers received a performance-based bonus without a formal performance appraisal review. (Interview_C_U1)

Currently, the feedbacks related to performance are problem-focused and ad hoc, so the one-day workshop also provided an opportunity for that ten senior managers to receive and give feedback to each other. According to the HR manager, this will be a good basis for individual goal setting, which has not happened yet. She emphasizes that during this learning process, the corporate culture is slowly changing as well. Feedback is not subjective but provides an objective basis for operating a formal PM and evaluation system. The PM system also allows for the development of other areas of HR, e.g., competence development later. (Interview_C_HR2)

As there isn't any formal and standardized performance appraisal, the senior managers are entrusted with the communication and the evaluation of the team results achieved with their

team. Therefore, the intensity and depth of the communication vary among departments and are not standardized across the company.

Top and middle management

Few questionnaires were likely to be completed at the employee level since performance appraisal and performance-based payment was only introduced at the top and middle management level. Therefore, in agreement with the management, I interviewed more than one middle manager at different levels to learn about their role and perceptions about the fairness of performance appraisal and the effect of the controlling family in contrast to the top management. I interviewed two shift managers and two plant managers from different areas.

According to the HR manager, the role of senior management is to actively participate in setting goals and represent these goals to their own team. The HR managers argue that setting goals were fair and equitable by providing senior managers a forum to make decisions based on full consensus and transparency. Everyone could see everyone's goals, and they could ask questions and have the opportunity to debate. The HR managers were convinced that all this resulted in their commitment to the goals set there. (Interview_C_HR2)

The plant managers know the company goals, the expectations are clear in their direction, i.e., to achieve the set goals by their team, to eliminate the problems that arise, to suggest improvements to the superior manager in connection with these. (Interview_C_LM1). The managers agree upon that the CEO and the owners are always open to suggestions from middle managers and are also willing to change their own decision as a result of rational arguments (Interview_C_LM2) and it has a motivating effect. (Interview_C_LM3)

In the course of their work, they negotiate a great deal, requesting and collecting information and communicating it further to their team or to their superior manager.

Every day there is a production meeting where the managers of all the areas come together in production and consult, sharing information with each other, what the current challenges or tasks are. In addition, they have a meeting separately with their superior manager about their own area weekly. These meetings rather focus on the operation and further developments. Individual evaluation and feedbacks are not usually discussed during these occasions. (Interview_C_LM1; Interview_C_LM2; Interview_C_LM3)

According to the HR manager, the task of middle managers (shift managers, plant managers) is to convey the goals to the lower levels, and during the implementation, they should find the areas and tasks where people can effectively contribute to the realization of these goals. Furthermore, they are responsible for giving feedback to employees during day-to-day operations. (Interview_C_HR2) The HR manager believes that the skilled workers are not aware of the goals and performance of the field. In the case of the shift managers, "it also depends on their proactivity, whether they can fight for the information from their managers" (Interview_C_HR2). Even in the case of plant managers, she thinks that it is up to the person how much they look after the performance of their own area.

Based on the interviews, the middle management is aware of the KPI goals; they collect efficiency data and information to convey them to the top management. They communicate job expectations and give feedback to their team while listening to their problems.

“In any case, we have to make the expectations clear to the workers, so they can meet them.” (Interview_C_LM2)

„The role is to represent both sides and to ensure the achievement of corporate goals while listening to employee complaints, problems, possible suggestions.” (Interview_C_LM2)

It is the plant manager's responsibility to involve shift managers in the design of the KPI and bonus system. It depends on the plant manager, to what extent they get their shift manager and skilled workers involved in decisions. A plant manager involves shift managers (Interview_C_LM3), while other managers argue that it is not the case in his field.

Plant managers claimed that employee involvement in development is ongoing. One formal form was the “box of ideas” to simplify processes. Many of the ideas that came in have been implemented; however, the idea box no longer works. Instead, it is an everyday expectation towards colleagues to come up with ideas (Interview_C_LM1).

However, shift managers experience differently, and it seems that shift managers and skilled workers could be more involved in the change and development processes related to their jobs. “There are a couple of questions that we (ed. shift managers) or skilled workers could be involved in and asked about... we might have an idea, not just about efficiency, but anything else.” (Interview_C_LM4)

Although the company has not yet developed a performance appraisal process, a plant manager stated that the bonus system designed for plant managers and shift managers can be considered a kind of performance appraisal in its field. (Interview_C_LM1)

In line with the KPI goals, the manager agreed that the goal of Performance management is also to increase efficiency and make the customers satisfied. (Interview_C_LM2; Interview_C_LM4). A manager also adds to create order and a good work environment. (Interview_C_LM3). Based on the interviews, the goals are adequately communicated by senior management. (Interview_C_LM4)

Related to the performance management practices, a shift manager did not know whether his or her opinion regarding the work of the employees has an impact on the evaluation by the plant manager later. They will not receive any information about whether their feedback will be considered in case of a salary increase. (Interview_C_LM4)

Plant managers are satisfied with their own bonus, and they argue that it is well designed. It supports continuous communication and collaboration between different areas. They were involved in the design, and a review of the system is also ongoing in parallel with the KPI and controlling system. (Interview_C_LM1; Interview_C_LM3)

At the level of shift managers, not everyone is satisfied with it. The bonus consists of several elements, which encourage shift managers and team managers to work together. However, there are managers who do not think it is fair because everyone on the team gets the same bonus while they do not perform equally. The middle manager voiced this opinion to his superior manager, but he does not know whether to review the bonus system. (Interview_C_LM4)

During an interview, a manager also confirmed that when the bonus system was introduced, the middle managers were invited to a meeting, where the production director had informed them about everything. It was well communicated. (Interview_C_LM4)

However, there hasn't been any communication about the further modification or the expansion of the system to their team in their area yet. The shift managers are not involved in the development of the system. They and their subordinates are informed about changes after the decision is made. (Interview_C_LM4)

The introduction of the bonus system to skilled workers has already been promised by the top management years ago, which the middle management also communicated with great pride to their subordinates then. However, it has not happened yet. According to the managers, the performance-based bonus could be a real motivation; however, unkept promise also has its danger. (Interview_C_LM1; Interview_C_LM2)

It is still uncertain for the management when and in which area the bonus will be introduced. It seems that they refrain from making any specific statements regarding it because of the previous bad experience.

“Next year probably, but of course I wouldn't write this down now” (Interview_C_LM2)

“Let me not answer that, already than last year.” (Interview_C_LM1)

However, in some areas, improvements and new investments will result in new standards and indicators in processes, which will also affect the development of the performance appraisal system and the performance-based bonus system. (Interview_C_LM2)

Top management expects middle managers to communicate the results to their team; however, that also puts the middle management in a difficult position. Employees experience injustice by not having performance appraisal and the performance-based bonus system, while the KPI and controlling system is working due to transparency and intensive communication. So, employees see that the systems are already capable of measuring performance at the group and individual level, and still, the bonus system is not in place. (Interview_C_LM1)

However, in case of any problem, the subordinates can raise their voice, and they could experience that they were listened to, and their superior managers and owners heard their voice. “My bosses always acted fairly. If something happened, they listened to everyone, even those, who might not have been in it, but heard it, saw it too.” (Interview_C_LM4)

A manager also gave an example: When someone experienced unfairness because he/she was not nominated for the employee excellence award, the manager gave an opportunity to voice his/her dissatisfaction, and they discussed the background of the decision. (Interview_C_LM2)

Each year, at the year-end party, outstanding employees are rewarded with an employee excellence award, to which middle managers can make suggestions. The honorees receive a non-cash benefit and a diploma, and the top management and owners congratulate them. Some managers believe that it does not have a motivating power because this recognition is not associated with a cash reward. (Interview_C_LM4) Other managers believe that it is important for their outstanding subordinates that management thanks to their work in this way. (Interview_C_LM2) Like in other cases, shift managers are not necessarily involved in this decision. While this could be motivating, and it could strengthen them in their position. Next to this, a manager also suggested that they could also reward employees for 5-10-year anniversaries. (Interview_C_LM3)

Middle managers have no formal tool in their hands other than the year-end nomination in the absence of performance management and compensation system, so they can have less impact on people's attitudes at the non-management level. (Interview_C_LM4) It is also not clear whether all managers are involved in the development of performance appraisal. Some are involved (Interview_C_LM2); some say this is not the case, which can also demotivate the shift management level. (Interview_C_LM4)

Besides the performance management and compensation system, all managers talked about one crucial element related to motivation and increasing individual performance. It is essential for managers to have the executive or senior executives appear among the workers from time to time. At the same time, top managers and owners are less likely to come up to employees and talk with them these days. (Interview_C_LM3) So, with growth and improvements, the organization has become noticeably more significant in size and more impersonal. Yet middle managers say people would demand and motivate them if the top senior managers and/or owners come and talk to people informally.

“In the past, senior executives came up to the workers several times, asking how they were. I think it also has a bit of an effect on their performance to see that they are paying attention. This is what has been missing lately.” (Interview_C_LM4)

“For example, for me, it would be good for my soul and for my own efficiency, my performance, that the owner, the boss came down, they ask me how I was, and it would be good that I talked to them. I also used to tell my mother that the big boss came to me, we talked, and it was good for me.” (Interview_C_LM4)

At the initiative of the manager directly under the executive manager, the executive sits in threes with the manager and another subordinate for a personal conversation about how the employee is doing. The goal of a manager with this is to make employees feel that the top management and owners care about them and pay attention to them. The conversations are ad hoc in nature and last for about fifteen minutes. For the subordinates with whom they had spoken so far, the conversation was very positive.

“One of the older subordinates was so touched, he fell so well, that he cried like a small child... there in front of us that it fell so well for him.” (Interview_C_LM3)

At the same time, shift managers and plant managers miss the personal conversations and the feedback and performance evaluations of their superior managers, which has not happened so far. Managers see that their superiors work a lot and don't have time for giving feedback personally beyond discussing tasks. (Interview_C_LM3; Interview_C_LM4) “It's good for a person to get feedback.” (Interview_C_LM4)

Formalization

Indicators are kept in the so-called “scoreboard,” and there is a performance evaluation of the areas every two months. The target and actual figures for each area are described in the database. These are also available to plant and shift managers, along with background data.

There is an internal written bonus policy, which is an appendix to the bonus contract and shows the goals and associated bonus objectives. At the same time, the policy has not been published yet, and they already need to modify it in line with the improvements.

They were planning to sign bonus contracts with managers as well; however, they did not finalize it because it took them a long time to have all the indicators for every area.

Further developments

One of the positives is the learning process and how openly managers were able to talk about designing the system. Still, there is room for improvement in monitoring the indicators, which should be part of the daily routine. However, managers are not constantly informed about the development of their areas. (Interview_C_HR2)

According to the CEO, they need to develop the three types of indicators for each area, but the structure of the system is already appropriate. The frequency of evaluation (every two months) is also appropriate. However, the evaluation and feedback phase need to be improved. They want to provide a forum for the management team of forty people to present the performance of the plant, what the goals are, and how they have accomplished according to these indicators, which impact their bonuses. They want to create an opportunity for bilateral or multilateral communication to have people discuss the results with each other because one plant affects the other. The bonus system has not yet been announced in terms of communication, which also must be done. (Interview_C_U1)

Other HR

The PM system also will allow for the development of other areas of HR, e.g., competence development. Jobs were assessed and categorized based on the abilities and skills to fill a particular job. But HR managers argued that the career management and development and recruitment plans have not yet been built on this. Smaller training has been implemented, but we cannot talk about a structured system based on needs. In connection with recruitment and selection, the collected job expectations can be used already well. (Interview_C_HR2)

The design of KPIs has an impact on training, dismissal and recruitment, and selection. Since it indicates what type of employees they should look for when they select applicants.

Some training projects will be launched soon. Mentoring program and leadership development for shift managers is needed. They are also planning to change their onboarding training.

During the process engineering and efficiency improvements, the employees were trained to perform several tasks so that they could replace each other, and thus the production could go efficiently even then. (Interview_C_U1)

Performance Management of Family Employees

There is no formalized evaluation and feedback among family member employees. In practice, the owners should give feedback to the managing director (i.e., the younger daughter) and the

head of the farm companies (i.e., the younger brother). At the same time, the other family managers would receive feedback from the family executive.

Family executives

At the executive level, they evaluate each other based on the current situation or organizational effectiveness, which leads to conflicts among the family managers, but this even affects the non-family executive at the wholesale company.

“There can be conflicts because one sees it this way, the other sees it that way, and if we don’t talk about goals set objectively based on numbers, then we take it personally and rely on personal judgment. And we often fall into this trap too, so there is no formal, well-established system for giving feedback to each other.” (Interview_C_U1)

Regarding the performance management among family members, the HR manager also admitted that it is difficult to handle. “Well, that’s a terribly difficult question. We can’t talk about this, so we can’t talk about salaries, we can’t talk about performance, we can’t talk about expectations. But we keep trying. (Interview_C_HR2)

The family executive admits that they should work to create a forum and framework for the performance evaluation based on shared goals and objective data. That is why they decided that a non-family member should provide the performance management and evaluation data. This is also to ensure that the older siblings, as the current CFO, do not end up in a situation where she presents the results based on her valid accounting data, and the other siblings may not believe her and question the figures. They have been just recruiting a family-independent CFO, who will provide the figures.

Moreover, they also build a formal governance framework to support this process. From next year, by establishing the holding structure, the three siblings in the service company will form the board of directors, where the CFO will bring the results, so the goal is to “all three be on the same side” (Interview_C_U1)

The HR manager also confirmed that even there are ups and downs in the relationship among family members, but now they “are in a rising phase,” and it is starting to get better with the decision of establishing a holding structure and recruitment of a non-family CFO. She adds that the values represented by the founder, such as a sense of belonging and ownership, help them through the problems and conflicts. (Interview_C_HR2)

According to the HR manager, the underlying cause of the conflicts was that the production and farming companies had two **different organizational cultures**. The leading cause of the cultural difference is that the location, the sector, and the background of senior managers and employees are different. The farming companies operate next to the villages, and the cultural values of their employees can be characterized by closeness to nature and the attachment to the traditional peasant way of life. The majority of the workforce is men, and the fluctuation is less than 10% compared to the 40% fluctuation rate of the production company.

According to the family executive in the controlling family, hardworking and diligence were considered as “performance.” So, the produced value or the money was not necessarily important, but everyone worked and was active. This value appeared less in the family business because the previous corporate culture was different. There was such an expectation for non-family workers to have a work-life balance. At 4 pm, non-family employees went home even

if there was a task that was necessary to be done that day. However, as a result of the current strategy and value set, and the work invested in change, this began to transform after 10-20 years.

However, it seems there hasn't been a consensus on the common corporate culture at the group level yet. According to the family executive, they are working to develop a PM and bonus system to make this type of organizational culture more consistent across different companies so that the evaluation of senior managers does not depend on which family member is the leader as reviewers at various family companies. In contrast, the HR manager emphasized that it is unclear whether they want to have a unified organizational culture or to bring organizational cultures closer together.

Family managers

In the examined family business, the younger daughter will evaluate the other family managers. The director of sales (the executive manager's husband) and the HR manager also took part in job screening. They defined their KPIs for the next performance evaluation. Both of them report in the same way at the leadership meetings. However, the HR manager argues that "it's a little difficult to imagine this conversation among the three of us, but that it has to happen the same way because we have experience of how confusing it can be to have a different opinion or position between any of the two family members." (Interview_C_HR2). She also adds that the organization cannot understand this, and it creates uncertainty among the managers.

The HR managers highlighted that the situation is special for family employees who did not come from the owner's family but joined the family through marriage and work for the family business. They may experience that employees perceive them as members of the controlling family while they do not consider themselves owners even though their spouse and their children will inherit. They need to accept this situation and be prepared for that employees may try to use them as intermediaries in informal communication.

"If they want to send some message to my husband, they started to tell me... They prepared the ground a little, but they didn't... (ed. tell it directly to him). At first, it was so awfully confusing, and then I learned to let go." (Interview_C_HR2)

As an HR manager, she may not be able to build the same trust with managers at the farming companies, where she is perceived as the wife of the owner's son. However, in the other family-owned companies, she does not face these problems as she is perceived as only a family employee.

The effect of PM practice on perceived justice

Goal setting is transparent, understandable, and simple

According to the executive manager, the performance-based compensation system is just and transparent. She argues that great care was taken to make the goals transparent, understandable, and simple. It is essential that a given area does not have more than three indicators. (Interview_C_U1)

Communication and voice

The top management sent mixed messages through the middle management about the introduction of the performance-based compensation system to skilled labor level for years. Broken promises may erode the credibility of the management in the eyes of non-manager employees.

“Next year probably, but of course I wouldn’t write this down now” (Interview_C_LM2)

“Let me not answer that, already than last year.” (Interview_C_LM1)

Moreover, top management expects middle managers to communicate the performance results to their team, which also puts the middle management in a difficult position. Employees experience injustice by not having performance appraisal and the performance-based bonus system, while the KPI and controlling system is working due to transparency and intensive communication. (Interview_C_LM1)

The existing systems were communicated well for the middle managers. They were invited to a meeting, where they had been informed about everything. (Interview_C_LM4) But individual evaluation and feedbacks are not usually discussed. (Interview_C_LM1; Interview_C_LM2; Interview_C_LM3)

In case of any problem, the subordinates can raise their voice, and they experience that their superior managers and owners heard their voice. “My bosses always acted fairly. If something happened, they listened to everyone, even those, who might not have been in it, but heard it, saw it too.” (Interview_C_LM4)

Consistency

HR manager argues that the system is fair and equitable because it is consistent. They do not change indicators on a weekly basis and do not falsify numbers. Goals are designed to be achievable. For senior executives, targets have not yet been set, but they plan to be equally transparent and jointly developed with the management. Since accurate and timely data is the basis of the system, there has been a situation where a manager has not received a bonus because he/she did not provide data on time and did not indicate that he/she could not perform this task due to other tasks. This decision was critical for the consistency and reliability of the system. The decision was also accepted by the manager. (Interview_C_HR2)

The changeability of decisions, processes, goals, and principles

The goal-setting was fair and equitable by providing senior managers a forum in which decisions were made based on full consensus and transparency. They could ask questions and had the opportunity to debate. (Interview_C_HR2)

The interviews show that the CEO and the owners are always open to suggestions from middle managers and are also willing to change their own decision due to rational arguments (Interview_C_LM2), which has a motivating effect. (Interview_C_LM3)

Effect of the Family

The presence of family affects planned performance management

From bifurcation bias favoring non-family employees to no bifurcation bias

There used to be negative discrimination towards family members in salary, bonus, and performance indicators. So, the family employees used to earn less compared to the market wages. The family executive argues that they used to be more lenient with non-family members, but they also recognized this and started to change it. (Interview_C_U1)

As part of the no-bifurcation policy, the family managers also took part in the same job screening process. Their KPIs were defined for the next performance evaluation. Both report in the same way at the leadership meetings.

They also aim to create a PM system for family members, which will be transparent for non-family employees in other positions. They are planning the PM process with no bifurcation bias. The expectations need to be transparent and what good performance is and what is not. The goal is that the position held by a family member can also be filled by a non-family member at any time. Otherwise, it may expose the company. (Interview_C_U1)

In order to avoid bifurcation biased favoring either family or non-family employees, the senior management positions were assessed, such as the added value and substitutability of the job. Based on this, they made the salaries of family members clarified relative to each other. Since they decided to have their salaries and bonuses on a market basis. (Interview_C_HR2)

However, the executive added that things might not be clear in every case. "The employees may have a feeling that there is a bias (ed. favoring family employees), which I don't even notice." (Interview_C_U1) She provides an example as well. During the year, the bonus was partly paid only to non-family managers, but then it was raised that the company would pay all the annual bonus to the family members at the end of the year, while the non-family members would be paid fully later after the year-end accounting closure.

The effect of family influence on actual PM practice

The successor leader leads changing process and systems implementation, so people feel that these are important and, therefore, the implementations are more effective.

The CEO stands for the change, which can happen faster because of that.

"If we change something, I will be there for the first meeting and then, if not for the first time, but the employees themselves will feel that it is important." (Interview_C_U1)

The people's feedback and satisfaction measurements show that a family CEO is more credible for the employees. That is why they are much more likely to follow and accept the changes and the initiative, which he/she wants to make. Because they know for sure that the leader will not go anywhere, he/she will stay. The CEO puts it this way:

"The presence of the family gives them a sense of importance. If we are there, they feel more important... If we are there, their commitment and their commitment to change, their speed may be better." "They know I'll be here in 5 years and in 10 years anyway"(Interview_C_U1)

On the one hand, the family CEO argues that although the vocation of the CEO does not necessarily depend on whether someone is a family member or not, she still believes that the vocation of a family CEO is unquestionable, while a non-family member may establish a benefits system in which he/she favors its own interests over the company. (Interview_C_U1)

Creating a common position on performance standards and evaluation

During the performance appraisals, the executive manager will evaluate the other two family managers: her husband as director of sales and her sister-in-law as HR manager. They are planning to have the performance review in the same way.

HR manager argued that “it’s a little difficult to imagine this conversation among the three of us, but that it has to happen the same way because we have experience of how confusing it can be to have a different opinion or position between any of the two family members.” (Interview_C_HR2). She also added that the organization could not understand this, and it creates uncertainty among the managers. In this case, here it is not the point to avoid bifurcation bias.

They aim to have a common position on performance standards, to be able to send the same messages to the other members of the organization.

Family members may violate the formal hierarchy unconsciously and send confusing messages to subordinates

During the succession, in one of the family training workshops, the family members recognized that they were sometimes confused and acted in the family business system as they were in the family system. They crossed the formal hierarchy in the company.

“We all love to manual control sometimes and have a say in areas that are totally not our business anyway.” (Interview_C_HR2)

They have been paying close attention to this ever since. However, it is a learning process. Nowadays, it also happens that they cross the formal hierarchy but corrects themselves in the middle of their actions.

The controlling family feels the need for formalized systems but still fears that they are not flexible enough.

The performance management system is implemented differently. The family business aims to make its formalized systems reliable, valid, fair, and applicable. At the same time, it is also crucial for the CEO and the other family managers that the system is flexible and able to adapt to changes and developments. Compared to a non-family business, the HR manager argues that they instead want a functional and transparent system. “Just to have a system, the family business does not want one.” (Interview_C_HR2)

As a result, the bonus agreements were not signed because it refers to the well-designed bonus policy as an appendix, which has not been published yet. That is because they could not follow the quick changes and update them. However, the company applied the policy as a framework informally, and the bonuses are paid accordingly. The management made sure that the bonuses system was well communicated, the middle managers were invited to a meeting, where they had been informed about everything. (Interview_C_LM4)

The effect of family influence on perceived PM practice

Family value is imprinted to organizational culture

In the controlling family, hardworking and diligence were considered as “performance.” So, the produced value or the money was not necessarily significant, but everyone worked and was active.

The family executive complained that his value appeared less in the family business because the previous corporate culture was different. The expectation was to let non-family workers have a work-life balance. At 4 pm, employees went home even if there was a task that needed to be done. However, as a result of the current strategy and value set, and the work invested in change, this began to transform after 10-20 years.

At the same time, line managers told of an organizational culture, where one could make mistakes without severe consequences and punishment (deduction from salary), and managers rather focus on the improvement and solving the problems. That is a good reflection of the controlling family’s values. One of the line managers argued that if there are no results, people are replaced immediately, or in case of damage, there is a deduction from their salary at other non-family companies. Here, the family or the CEO has a basic trust toward the people.

“There were problems here, there were damages... they were not treated as like, let’s see how much was the price and we deduct it from everyone's salary, but first of all the feedback was thank you for telling us. What was surprising to me was that we didn’t lie ... so it was important to them that they can trust us, so they got the information from us even when we screwed up... and how to avoid this next time.” (Interview_C_LM1)

Importance of personal relationship in goal setting, forming expectations, and their communications

The HR manager and line managers highlighted the importance of a personal relationship with the controlling family and managers. The HR manager argues that if the company was a non-family business, the PM system would be more impersonal and dysfunctional. “Just to have a system, the family business does not want one.”(Interview_C_HR2) In the case of the family business, the owners are present in the company, and the vision and strategy planning takes place locally by the management, which fosters commitment since everything is more personal than otherwise. The company values can be transferred directly by managers and owners in the form of expectations and behavior patterns. The HR manager also argues that you need challenging but achievable goals that allow you to continually develop together with the organization and its leaders and its owner-managers. This personal commitment to the leader and the common goals can build an essential bond of trust in the family business, which has an impact on individual performance.

Participating in company programs and leadership and vocational training with employees shows that the owners are accessible and open for communication.

Some managers also argued that there are programs such as family days and year-end parties, where employees can talk with the family managers completely relaxed. “They’re not those managers at multinational companies who don’t actually participate in the lives of the workers because they do participate.” (Interview_C_LM2) Other managers also emphasized the presence of the family and the CEO. Someone may just be behind the desk, but the CEO herself attends many meetings as well as leadership training or even vocational training with them. A

line manager stated that it makes him feel like “they are all in the same boat.” (Interview_C_LM1)

As the organization grows, the frequency of personal relationships decreases, which may negatively affect middle management’s commitment

However, the frequency of personal relationships seems to decrease as the company increase in size. Line managers are missing those “old days,” and there is a strong need for managers to have the executive or senior executives appear among the workers from time to time and talk to them informally to motivate them.

“The executive manager used to come to the plant rarely, but other senior managers do not so. In the old days, even the owner went to the plant every week. He came, shook hands with us, he talked to us for a few sentences, but it fell so well for us, and I think it is very missing.” Interview_C_LM4)

“For example, for me, it would be good for my soul and for my own efficiency, my performance, that the owner, the boss came down, they ask me how I was, and it would be good that I talked to them. I also used to tell my mother that the big boss came to me, we talked, and it was good for me.” (Interview_C_LM4)

However, a manager also adds it would make a difference if this company were not a family business. “It would definitely be different because it’s okay that I don’t feel like it’s a family business right now, but after all, it is because a family still controls the whole thing.” (Interview_C_LM4) The managers can also see that the family works a lot and deals with things even in the middle of the night. So, they feel the company is their own. However, a manager adds that it would be better if the employees themselves felt the same way as before. (Interview_C_LM4)

Despite the growing organizational size, a personal, informal conversation with subordinates at the request of the middle manager has a motivating effect on the subordinates

A new initiative of a middle manager also aims that the family executive can have a personal conversation with one of his team members about how the employees are doing. For the subordinates, the conversation was very positive.

“One of the older subordinates was so touched, he fell so well, that he cried like a small child... there in front of us that it fell so well for him.” (Interview_C_LM3)

The effect of family influence on the outcome of PM practice

Formalization: to eliminate conflicts between family members non-family CFO was appointed, and a formal governance structure was built

First, to eliminate conflicts, the family decided to create a forum and framework for the performance evaluation based on shared goals and objective data. In line with this, they decided that a non-family CFO should be recruited to provide the performance management and evaluation data instead of the family CFO.

Second, they are also about to build a formal governance framework to support this process. They will establish the holding structure, and the three siblings in the service company will form the board of directors, where the non-family CFO will bring the results, so “all three be on the same side” (Interview_C_U1)

Development outcomes of PM may be applied less effectively because the manager may perceive the family HR manager as a family member rather than an HR manager.

In a supportive, developmental role, the family HR manager can be less proactive and effective since she may not be able to build the same trust with managers in every case. The senior managers may perceive her primarily as the wife of the manager executive and the owner’s son, not the HR manager. So, she can only help if the managers decide to trust her and ask for help. In relation to leadership development, the development outcomes of PM can be more difficult to explore. In this case, at the company group level, the PM may be less effective compared to managers at other companies.

“I should go into situations where a top manager won’t necessarily share his shortcomings with me because I’m the wife of the owner’s son. And then I don’t want to force this anymore, so there are issues that if they ask for help, I help, but I don’t sit down with managers on a weekly or monthly basis about this.” (Interview_C_HR2)

Managers also try to use the HR manager as intermediaries in informal communication to send messages to her husband (leader), thus preparing the formal information. That also proves that managers perceive her more like a family member than an HR manager in some cases.

“If they want to send some message to my husband, they started to tell me... They prepared the ground a little, but they didn’t... (ed. tell it directly to him). At first, it was so awfully confusing, and then I learned to let go.” (Interview_C_HR2)

A family business may emphasize recruiting, selecting, retaining, and promoting those non-family managers who are in line with their values.

The line managers whom I interviewed were managers who worked for a long time for the company in various positions, and they usually started from the bottom, or the family business was their first workplace even. In contrast to a nonfamily firm, these managers argue that only those employees get promoted who meet the expectations from time to time. (Interview_C_LM2)

The impact of the family business system on the family system

Lack of formalization leads to conflicts

There is no formal, established performance appraisal system for family managers along with objective numbers, and there is no formalized way of giving feedback to each other. That leads to conflicts within the family and criticism on personal grounds.

Conflict in assessing family firms’ performance has led to changing the management structure and the positions of family members at a group level

The family CFO was replaced by a non-family CFO, while the three siblings pointed to a member of the Board of Directors. This was to ensure that the older sibling, as the current CFO,

does not end up in a situation where she presents the results and the other siblings may not believe her and question the figures.

The effect of family Influence on Perceived justice of PM

Family manager's self-control and common values lead to more formalized systems to eliminate injustice and unfairness.

The former PMS was not perceived as fair by the family executive and other family managers at the family group level. Due to different organizational cultures, they were more lenient with non-family managers of companies run by the younger brother in case of underperformance. This was not fair to other non-family managers at the examined company. In addition, family members were less lenient with each other either in the event of non-compliance than in the case of non-family managers.

The common values stemming from the founder, such as a sense of belonging and ownership, help the family members through the problems, and this conflict with the solutions of establishing a holding structure and recruitment of a non-family CFO (Interview_C_HR2).

The self-control of the family executive also appears as a family effect to reduce the family impact on appraisal. That led to a more formalized system (assessment of job categories) so that it won't depend on which family or non-family manager someone works for during performance evaluation. The attitude, the value system, the organizational culture should be uniform in all organizations.

"I can be more lenient with certain managers, looking at other companies than, say, my brother's performance." (Interview_C_U1)

"I think we are more lenient with non-family members... But we are working on that now so that the approach is uniform for each company and does not depend on which family member is running the company, but the same values and attitudes develop everywhere." (Interview_C_U1)

It is important for managers to have the executive or senior executives appear among the workers from time to time. At the same time, top managers and owners are less likely to come up to employees and talk with them these days. (Interview_C_LM3) So, with growth and improvements, the organization has become noticeably bigger in size and more impersonal. Yet middle managers say people would demand and motivate them if the top senior managers and/or owners come and talk to people informally.

"In the past, senior executives came up to the workers several times, asking how they were. I think it also has a bit of an effect on their performance to see that they are paying attention. This is what has been missing lately." (Interview_C_LM4)

"For example, for me, it would be good for my soul and for my own efficiency, my performance, that the owner, the boss came down, they ask me how I was, and it would be good that I talked to them. I also used to tell my mother that the big boss came to me, we talked, and it was good for me." (Interview_C_LM4)

At the initiative of the manager directly under the executive manager, the executive sits in threes with the manager and another subordinate for a personal conversation about how the employee is doing. The goal of a manager with this is to make employees feel that the top management and owners care about them and pays attention to them. The conversations are ad hoc in nature and last for about fifteen minutes. For the subordinates with whom they had spoken so far, the conversation was very positive.

“One of the older subordinates was so touched, he fell so well, that he cried like a small child... there in front of us that it fell so well for him.” (Interview_C_LM3)

At the same time, shift managers and plant managers miss the personal conversations and the feedback and performance evaluations of their superior managers, which has not happened so far. Managers see that their superiors work a lot and don't have time for giving feedback personally beyond discussing tasks. (Interview_C_LM3; Interview_C_LM4) “It's good for a person to get feedback.” (Interview_C_LM4)

Other elements of the conceptual framework

Contextual factors

Due to the shortage of skilled labor and market pressure to raise wages, Performance management practices rather aim to support the establishment of the performance-based compensation system.

Due to the pandemic, the introduction of the performance management system with proper communication and training for middle management is delayed.

Due to different organizational cultures, the performance management system aims to change and integrate the different cultures and unify the expectations regardless of the top management at different firms.

Due to Industry 4.0, the company could develop a professional KPI and controlling system, which can be a basis of the performance management system.

Cognitive processing of participants

Non-family employee's personality, experience, and trust may affect how they perceive the family HR manager as a family member or a professional

5.3.4. Family Business Case “D”

Introduction

The Family Business D is present in the field of metal processing, and it has been engaged in sheet metal fabrication in the region of Central Hungary since 1990. During this time, the family business has grown from a sole proprietorship to a company that employs more than 600 people, and it is recognized in its field.

They produce parts and components in small and medium batches. The Family Business D supplies large multinational companies around the world in the banking sector, the agricultural machinery industry, and the heating and cooling industry. The company does not produce end products; they are only incorporated into other products by other multinational companies. We can meet their products in smart cash registers, self-service cash registers in hypermarkets, as well as in ATM's and parcel lockers (Interview_D_U1).

As a result of continuous technological and territorial expansions in recent years, the family business became a large company based on its size and revenue in 2019. They tried to remain in a medium-sized enterprise for years due to the more favorable tender conditions and possibilities; however, the time had come to become a large company. In line with this, they have finally taken over those colleagues who were employed by temporary work agencies before. Nowadays, they employ around 600 people, including 130 white-collar workers, in two sites.

Although the company was constantly evolving, it was difficult to meet customer needs due to capacity problems mainly caused by labor shortages. To eliminate capacity problems and expand capacity in terms of labor and production, the family purchased a new site in the West-Transdanubia region in 2020. The site was taken over with workers, ordering stock assets, property, and inventory by their back then dormant company owned by the CEO's two daughters (hereinafter Family Business D2).

Since Family Business D2 became a medium-sized company with its ca. 100 employees located in a different region under the name of the two daughters can take advantage of the favorable tender opportunities again. In Family Business D2, the younger daughter is formally an executive, but the factory manager manages the operation in practice, which is also communicated to the employees. The daughter commutes and spends 2-3 days there to assist in HR-related tasks and oversee financial referrals and ensure communication and proper information flow between his father and the management of Family Business D2. Later, they are planning to merge the two companies and become a company group in a holding structure. (Interview_D_E3) In my research, I mainly focused on the original family business.

Since the company has capacity problems due to a lack of human resources, the continuous improvement of HR is essential for them to retain workforces. The HR priorities are recruitment and selection as well as retention. The fluctuation was 28% at the corporate level last year. It was more than 50% four years ago, and they were able to improve by 5-10% points every year.

According to the interviewees, the corporate culture in the original family business is characterized by a family atmosphere, trust, and the importance of human relationships. The presence and history of the family have been intertwined with the family company for the last

30 years (Interview_D_U1, Interview_D_LM2, Interview_D_E3). In contrast, the organizational culture of Family Business D2 is different. The name and presence of the family do not mean the same thing to the workers there from a one-year perspective. That is why they try to apply greater involvement and empowerment in the management.

Regarding the long-term strategy, the CEO sees the future development of the company in two directions. First, he would like to expand their product range and their activities in the metal processing field by producing not just parts and components but finished goods and their own complete products as well in the future. Furthermore, they also want to provide complete services to their customers and partners later. Second, he wants to launch new businesses in other sectors such as the private health sector to stand on several legs. (Interview_D_E3)

Organizational Performance

This year will be handed over a greenfield investment. They also have made tremendous progress in the field of training and development since the company had the opportunity to train their employees within the framework of a tender. They could organize internal and external training in leadership and foreign language and in the field of forklift and painting. They are also planning to build up and further develop their corporate brand, including their employment brand.

They hold various events locally, which were canceled completely in 2020 due to the COVID restrictions. They usually organize open days, family days, and every December, they organize a Santa Claus celebration for the children of the employees. Moreover, they usually have a shutdown in December, so they have an annual end-year party for all colleagues. Before the event, there is a management briefing about company results and achievements as well as the plans of the company. Later they have dinner and a party that lasts until dawn, where all the 600 colleagues can meet. Every interviewee highlighted that this event is extremely popular among their colleagues as a wedding or city party that no one wants to miss, everyone is preparing for it, and the absence rate is very low. They consider it an investment that will pay off later, or it may not be measurable at all.

Regarding the financial performance, the company showed significant growth in the last three years in all key financial metrics. Sales increased with a CAGR of 30%, while profitability also improved, showing a CAGR of 18% in EBITDA and 24% in Net Profit. As a result of that, both EBITDA and Net Profit margin healthy between 21% and 18% and 13% and 12%, respectively. This performance is quite remarkable and ranks well in industry comparison. (See in Table 36)

Introduction of Family 'D'

Six family members and three generations work together in the family business: the founder/owner/CEO, his father, his wife, his sister, and his two daughters.

In 1975 the funder/owner's father became a craftsman in a second job. The business grew out of a garage. Prior to joining his father's business, the CEO graduated from a secondary technical school as a toolmaker; later he gained experience in the machine tool industry. Finally, in 1990 he took his father's business over as a sole proprietor, and they worked together. Since then, the

funder/owner's father has worked as an employee in the family business in the field of material procurement, maintenance, and freight transport. The CEO was responsible for managing the business, and he was always more involved in partner communication, networking, and business acquisition.

The founder/owner is in his 50s, and he and his wife have two adult daughters.

His wife works as a non-manager employee in the field of finance under the control of the CFO. She has been responsible for the money transfers and the banking administration to a certain extent for almost 30 years.

The two daughters are owners of Family Business D2.

His older daughter is currently on maternity leave. She had her first degree in logistics, her second degree in economics. She started to work in the warehouse at the family business. Back then, nobody dealt with packaging at the company so. She was entrusted with packaging, which led to many good ideas and innovations that resulted in the most effective packaging solution for paper, plastic, and wood packaging materials. Later she joined the HR department.

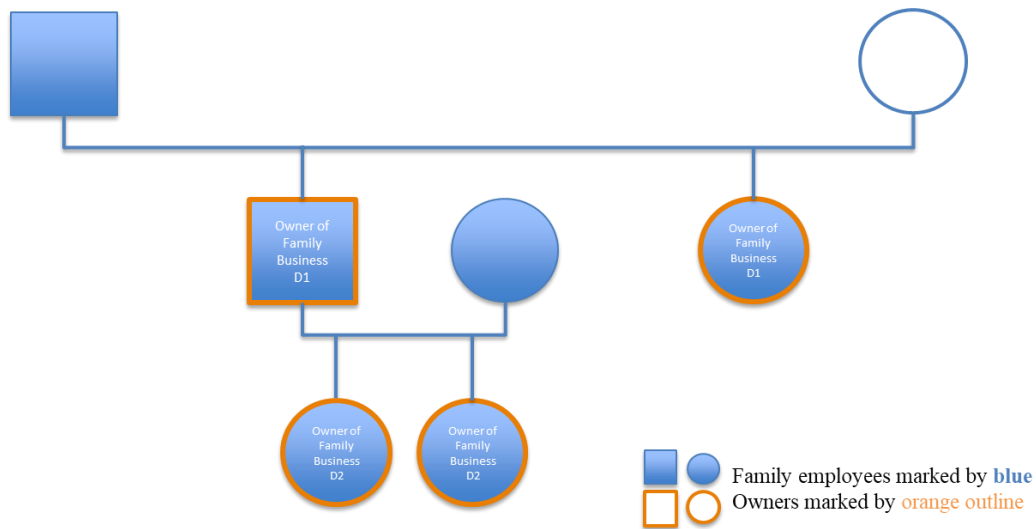
His younger daughter has a college degree in the field of logistics. She started to work with the internal logistics of the biggest products at the family business. She completed her internship and wrote her dissertation in that field. When the HR colleague resigned unexpectedly, she decided to apply for the labor relations position with the purpose of helping. She went through the same formal process of recruitment as anyone else (Interview_D_LM2, Interview_D_U1).

Later, she was also promoted to HR team leader a few years later. Currently, she is a consultant at the original family business and acts as an executive at Family Business D2. She is responsible for the approval of the money transfers as her mother at the original family business. The daughter argues that it belongs to the value of the family that "we like to handle the "money bag"" (Interview_D_U1).

The CEO's sister is also an owner of the company after his father handed over his share. First, she worked there in the operations department for a while. Later she has been away from the company for about four years due to several illnesses. She returned to the family business, and now she works as a team leader for the receptionists, gardeners, and cleaners.

The grandfather is in his late 70s; however, he is still active in the company's life. "He lives his everyday life here; he likes to take action." (Interview_D_U1)

Figure 34 - Genogram of the controlling family of Family Business „D”



Family Involvement

Currently, the family acquires 100% of the two companies. The Family Business D1 is 65% owned by the founder/CEO and 35% by his sister. The Family Business D2 is 50-50% owned by the two daughters of the CEO. In the four-member top management team, the CEO is the only family member. The family firm governmental configuration type is still more like the owner-manager type since the founder is still the executive, while his sister is slightly involved in the management. However, the two daughters have already begun to work for the family business, and the CEO has started to involve them more and more in the strategy. Their family rather prioritizes family first than business. Their guiding principle is that every family member can have a place and make a living from the company regardless of one’s performance. Nowadays, the family firm’s key governmental challenges are dependency on the owner-manager and succession.

The owners still manage the company, and three generations work at the family business. The owner family defines itself as an entrepreneurial actor, and its self-understanding is closer to „Family Business” rather than “Business Family.” The diversification of its product portfolio is also low. However, they are now starting to look for new business directions. Thus, both horizontal and vertical expansion of the portfolio is possible in the future. The company group includes two companies; however, I only focused on the Family Business D1 in my research. They can relate more to the family first philosophy and prioritize family-related goals over business goals. Since the daughter argued that “if knowledge and experience are yours...you have relationships, it’s much easier for you to restart either a business with either a new or the same portfolio.”

As they work as suppliers to multinational companies, it is important for them that they find a niche market and make their products essential for the partners to have a greater bargaining position. They have all kinds of business relationships, those they’ve been working with for a long time and partners they have started with working recently (Interview_D_U1).

It is very important to the CEO that employees feel comfortable in their workplace besides they get paid based on their knowledge and performance. The corporate year-end dinner and ball have always been held since the company was founded. In the first year, it was held with five more colleagues; in 2019, more than 500 people came to the ball. Last year, the event was missed due to the Covid. Although the family atmosphere is becoming increasingly difficult to maintain at this size of the company, the owners are still striving for it. The corporate culture of Family Business D2 is completely different, so they hope that this will change more and more with their management.

Based on the interviews with family members, the family member's identification with the company is very high. The transgenerational intentions are also high. The predecessor has started to plan to pass the torch at the management level. There is no designated successor yet.

Succession

According to a family agreement, the CEO's father handed over his stake to his daughter. So, the CEO and his sister are the owners of Family Business D1. CEO got the 65% of the ownership, and his sister owned 35%. Regarding the ownership dimension of the succession, the CEO is planning to pass the torch to his two daughters.

The two daughters own 50-50% of the Family Business D2. The younger daughter acts as an executive there.

CEO is planning to retire within five years to be involved in strategy making. They attended the Family Business Club events. However, he let them decide whether they will only play a role as owners or get involved in the company at the operational or strategic level. If so, he stressed they should find a position where they feel good, fight for it and bring results.

The CEO and his daughters hold a meeting once a month, where they discuss the affairs and strategic directions of the company. According to the CEO, these monthly discussions have several purposes: First, his oldest daughter has been on maternity leave for more than two years, and a continuous information flow can help her come back to work more effectively. Second, the CEO wants to involve them more and more in strategy making. Before that, he let them prove in their own field without his help. But now, as his retirement has begun, he is ready to share information with them about the family business as future owners. The goal is that they will be able to think together, and the generational change takes place. He does not just want to ask for his daughters' opinions, but he also wants them to come up with suggestions and new ideas, so the predecessor also sees this as a mutual learning process. Thirdly, they are also planning to write the family constitution later. These meetings are currently held in-house but are planned to be held outside the company where they are not disturbed. They did not communicate the purpose of these discussions, but the successor said it is kind of an open secret.

He is also open to involving his son-in-law more in the family business by giving them an opportunity in the company or creating a new business. As a first step, one of them will join the company soon, and according to the CEO, if he gets to know the company and stands his ground, he could join even the strategic meetings as well later. The other son-in-law is a doctor, and the CEO can see good opportunities in the private health sector as well.

Human Resource Management

The Chief Financial Officer is responsible for managing HR. Previously both daughters of the CEO worked here, and even the younger daughter was promoted to HR team manager, which also shows the importance of the field.

According to the CFO, HR has evolved a lot in recent years, but it still needs to develop a lot. Currently, the HR team consists of six colleagues. The department deals with HR and payroll, as well as training and development. An HR specialist organizes the dual education program but also provides in-house training (e.g., onboarding) and vocational training.

Recruitment and selection are very important due to the shortage of labor. While the fluctuation is very high during the probation period, it is very low among those employees who have been working there for 2-3 years or more. They call those employees who go from company to company „eternal migratory birds” (Interview_D_U1). From time to time, they leave, then come back again and submit their application to the company, spend some time here and leave even for a slightly better monthly salary again. (Interview_D_U1)

Accordingly, they also try to focus more and more on reducing fluctuation and retaining the employees. That is why they are planning to develop an incentive system for which they will also hire additional staff.

But smaller measures are also included to foster job satisfaction. ‘Office hours’ service was introduced in the HR admin area for employees to ask for help or ask questions.

In addition, the family business has a company bus and a canteen. They organize various social events such as family days, Santa Claus Day for worker’s children, and open days, on which they can introduce the company to workers’ family members and other residents from nearby villages. They also like joining large public local events such as village days and the “pálinka” festival. There, the company invites employees and their family members to lunch. There is the end-year dinner and party, in which the family business rewards those colleagues (around ten colleagues each year) who have worked there for ten years.

A few years ago, HR introduced an employee satisfaction survey. Since then, they have repeated it annually. As a family business, it was important for them to involve employees in the development of HR. Based on these employee surveys, they define the priority and focus areas of HRM. The CFO argued that in contrast to multinational firms, the design of processes and programs is also based on management creativity, professional knowledge, and experience. The CFO stressed that they also pay attention to the measurement of the efficiency of the implemented processes and programs for further possible improvements.

Performance Management and Performance Appraisal System

The Family Business has a formalized performance management and appraisal system and processes introduced a few years ago. The Performance Management System has several goals.

Firstly, it aims to support the training and development and career management plans and decisions. As part of the PM system, they have also introduced three annual performance evaluation sheets or questionnaires for the physical workers, the white-collar workers, and the

management. These questionnaires help managers to structure the discussion with their subordinates. (Interview_D_LM2)

The manual and clerical workers questionnaire includes topics such as personal characteristics, competencies, development and training needs, and areas for improvement (Company_Document_D1 and Company_Document_D2). The questionnaire for managers includes topics such as personal characteristics, leadership, and general competencies, development needs, areas for improvement, the level of execution of the tasks. (Company_Document_D3) The managers and employees sign the annual performance evaluation sheets on paper, which can be printed out on paper, and then they hand it over to HR.

Secondly, it provides a tool for the manager to sit down and think about the colleagues and give feedback to them at least once a year face to face. If they work well, praise them. If something needs to be changed, try to support them by setting an individual development plan.

The CFO argues that it is important that this process supports employees' retention. The managers can uncover how the employees feel about their work and whether they have any career aspirations by going through the questionnaire. A few years ago, they started to conduct exit interviews with employees who left the company. It turned out that many people liked working there, but they could not see their career development even though the opportunity was there. The CFO argues that there was a lack of communication between the direct manager and the individual.

Even though the performance management systems have a competence development and career management focus, the annual salary increase is also based on performance appraisals. (Interview_D_U1)

In the case of managers and white-collar workers, the superior manager evaluates their goal achievements; however, in its current form, the annual performance evaluation sheets cannot support the decision that much because of lack of SMART goals (Company_Document_D1-D2-D3).

In addition to the legal obligation, in the case of manual employees, performance data, i.e., quality, work performed, presence, is filtered from the corporate management system. Based on this, the attitude of employees can be deduced, and the managers can suggest salary raise to their team within the given budget and in line with the different job categories.

Employees have a monthly bonus based on the number of hours worked and the quality of their work. The advantage of the bonus system is that it favors colleagues who want to work for the company in the long run, not those who stay for a short time. (Interview_D_U1)

Implementation and further developments

They strongly rely on the employee survey result to improve their performance management and assessment system (Interview_D_LM2).

Until now, the performance review of managers and white-collar workers was mandatory, and the evaluation of manual workers was optional for their direct managers. As a next step, the

CFO argues that they decided to make the evaluation of manual workers mandatory this year as well.

Furthermore, they want not just the manager to assess their subordinates, but rather there should be multiple raters for everyone. The CFO has already started a pilot project in his department, in which employees can give feedback to him, but they might develop the evaluation to 360 degree-feedback method later.

Even though HR organized training for management to support the implementation, the effectiveness could be improved according to the interviewees. The plan and the actual process differ: "I think it's 35-40% different, which is not exploited, I think" (Interview_D_U1)

The ineffectiveness and difference between planned and actual processes are caused by 1) the shortcomings of the manager's personal management skills; 2) the lack of capacity of processing the result of the individual evaluations at the individual and organizational level; 3) lack of CEO's communication to middle management regarding PM goals and setting a good example.

Hereinafter, I present the three problems in more detail in the following.

First, the managers conduct the mandatory performance management reviews with their clerical colleagues annually; however, many of them fail to give feedback continuously, and it is difficult for them to give negative feedback. There are no semi-annual evaluations, so the achievement of the targets is not monitored during the year either. „There are areas, where I know, the manager prefers to put this aside so quickly... they don't feel the weight of it and how good this thing is for us.” (Interview_D_U1)

Secondly, they find it challenging to manage the performance management processes and evaluate its results at the company level to support further decisions.

HR collects, summarizes, and evaluates the education and training needs centrally and prepares an annual training and development plan. HR had already made an annual plan last year, but the interviewees admitted that there is still room for development in its implementation. (Interview_D_U1, Interview_D_LM2) The processing of the questionnaires and the preparation of career and development plans at the individual and organizational level is lagging due to the lack of capacity in HR. The evaluation of the questionnaires is rather contingent than systematic. “We rather look at quantity so that if there are many recurring demands, we get a quick fix.” (Interview_D_U1)

In the case of a multinational company, best-in-class processes can be introduced easily. That is why the CFO admitted that the performance management processes would be different in that case. They design and develop their own HR processes, which certainly requires extra effort from HR. That is why they cannot provide as much capacity for supporting the implementation and processing the outputs for further actions.

Within the high-potential program, they have already mapped the most important positions to ensure succession by developing individual development and career management plans for their high-potential colleagues. However, the CFO admitted that this high-potential program had not been implemented yet after the mapping phase. At the same time, the aspiration and purpose of HR are clear, and there are already good examples. The company provides career opportunities and training among those blue-collar workers in the production line who are willing and capable

to move forward. For example, one of their plant managers started working as an edge bending machine operator. During his last performance review, they will discuss his next career step as site manager if he is willing to study further under a study contract.

Thirdly, it seems that CEO does not set a good example for middle managers and does not communicate the goal of PM to them properly, so they could not see how PM can support the achievement of family business goals

Performance management of non-family top management

The CEO/owner graduated from a secondary technical school as a toolmaker, and he hasn't got higher education in management. From a sole proprietorship, he built a family business with more than 700 employees. He keeps learning constantly and trying to learn from others how to manage people and delegate tasks. He argues that he has managed to learn a lot, but he still has to deal with many tasks related to operational management.

There is iterative strategic planning in which subordinate managers play a significant role, but the CEO makes sure the goals are always challenging enough. He currently manages five people directly, but he usually doesn't hold performance evaluations with them annually. His subordinate has recalled only one occasion in the last few years. The CEO rather gives brief evaluations and feedbacks, and he also expresses his gratitude for the work, but it is not in a structured form, which would also be in demand. (Interview_D_LM2)

The family CEO gives a free hand in the implementation; however, he is often asked to help make and communicate decisions.

Performance management of Family Employees

Bifurcation appears in the planning phase of PM regarding family employees. The CEO seems to consider two things. First, he tried to find tasks and positions for every family member, in which one feels good and feels at home. They are only given a challenge that they can meet and succeed in, and they are comfortable with it. From the interviews, you can see that he relies on strong feedback from external and internal stakeholders on family employees' activity and behavior in the evaluation of family employees. (Interview_D_E3)

Second, in the case of an underachiever family employee, he tries to find a field where he reduces or eliminates the possible negative effects of the bad performance on the company's performance.

While in case of most family members, he doesn't need to manage this since they are good performers (two daughters and his wife), or he could manage this successfully (his sister), in the case of his father, he still has to face with many conflicts (Interview_D_E3). The daughter describes the situation in this way. "The company is located in a large enough area that there is room for everyone, and we can avoid each other." (Interview_D_U1)

The daughter

The younger daughter started working for the company under a non-family manager during her internship. She put it that it depends on the manager whether he/she can take over the management of a family member or not.

"There is a leader who can take on this and manage that you are the boss's daughter, child, and he or she will not be able to treat you 100% like any other outsider... while the other manager was afraid to assign me a job..." According to her manager was afraid that his/her position would be taken away by her: "he was jokingly remarked by the other managers that "hey, what's up? Here's the owner's daughter, she'll take your job from you soon, you won't need you, will you?" (Interview_D_U1)

The daughter highlighted that the manager's fear was completely baseless. If someone knows her father, he/she would know that he wouldn't put a 21-22-year-old person in a chair who came out of college in vain for his child. She did not complain to his father about the manager. She also stressed, "to be recognized you have to work for it. It can be given, but it is not good for the child or family member, nor for the company. You will not be able to hold that position..." (Interview_D_U1)

Since the manager did not dare to give her challenging tasks from which she could have learned, she decided to move to the HR field to find opportunities for professional development and personal growth. She felt that under the CFO, who manages the area, she could learn more. She knew his leadership style since he was already the manager of other family members as well. (Interview_D_U1)

When the daughter wanted to apply for a vacant HR position, she mentioned it to his father, who directed her to the CFO in line with the hierarchy.

"She talks more, and she has more open communication than the other (daughter), and I say okay, no problem, you know whom it belongs to, go there, submit your resume then try to get the job, then she was hired." (Interview_D_E3)

The daughter spoke to the manager and applied for the vacant HR position following the formal processes as anyone else.

After a few years, the daughter decided to apply for a vacant HR team leader position. The CEO did not interfere in the formal application process either, he said that he "expected the direct manager to treat her even harder than any outsider" (Interview_D_E3), but as a father, he supported his daughter from the background and like a mentor he provided advice on the application since he knew the leader and her daughter's strengths and abilities.

The CEO was informed about his younger daughter's performance by the CFO. (Interview_D_E1), but the CFO confirms that the CEO did not want to have a say in the management and evaluation of the successor. At the same time, the CFO assumes that everything is discussed in the family. (Interview_D_LM2). In line with the offspring's experience, the CFO showed the image of an autonomous personality, who was not frightened that the owner's daughter and wife were his subordinates.

"I wasn't afraid at all that they would say anything about me because I know I'm doing my job; it's appreciated." (Interview_D_LM2) He argues that the CEO instructed him that he had to decide "just as if it were another employee, of course, with the interests of the company in mind." (Interview_D_LM2)

However, it also seems important that the CFO, although he did not know the controlling family prior to joining the company, he describes their relationship as friendly. So, the non-family leader also belongs to the inner circle.

According to the CFO, managing family members is relatively easy, but he thinks it also depends more on their open, positive attitude. They can talk to each other openly and honestly, no matter if it is a positive or a negative thing, or it is about him as the manager or them, or about others.

However, the manager stressed that he does not differentiate between family and non-family subordinates.

At the team leader level, other employees also worked for the company for a very long time, and they also have nice career progress. He tried to mentor and coach the daughter in the same way as his other subordinates. They always discussed the situations and the background of the decisions. He considers it important to be fair to everyone in the evaluation. He argues that if someone makes a mistake, you need to look at how serious the mistake is and how many times someone made it since everyone makes mistakes. First, you need to be helpful and discuss the principles. It is important to see if it is a personal omission or there is a problem at the system level, which must be handled at the top management level.

The CEO also mentioned that he could see that her daughter felt proud and valued by the colleagues in this team leader position. “She was proud of herself because no matter how many times she went through the plant, those new colleagues whom she hired greeted and waved her even from far away, and they also liked turning to her with their problems.” (Interview_D_E3)

When the CEO could see that her daughter stood her ground as a team leader and also learned how to delegate, she appointed her daughter as an executive of Family Business D2.

Now, the father/CEO manages her daughter and gives feedback to her. Performance management and an appraisal are not currently formalized and written. In everyday life, they often give feedbacks and praise each other even. They make sure that problems and misunderstandings are not discussed in front of others. In the monthly strategic meetings, where they also discuss operative issues, the daughter also receives feedback from her work and how she could improve it next time. However, the daughter argues that based on her experiences, a family member must work much more to get recognition than a non-family member employee. She also adds that she has even remorse when she is not working. She also thinks that non-family employees don’t even know how much she is working and how much responsibility she takes to make a decision. There is also a desire for compliance in the family, which a non-family employee cannot see.

The wife

His wife works as a non-manager employee in the field of finance under the control of the CFO. She has been responsible for the money transfers and the banking administration for almost 30 years. The CFO evaluates her performance as he does for all other non-family employees. There is not any difference. However, the CEO stressed that it is easy to evaluate his wife’s performance because she has been in the same position and responsible for this job for almost 30 years. According to him, his wife “controls the money in the same way as she controls the “family coffers.” She transfers the money only when she is already sure” (Interview_D_E3).

There are no negative feedbacks about her job from both the accounting and the external partners. Everyone gets their payments on time. “She is the type that if we entrust something to her, she does it with heart and soul.” Delegating tasks is not your strong point, so they are trying to relieve her since she works even too much.

The sister

The CEO’s sister is one of the company owners; however, I was told that she only works when she feels like doing something. “She works here ‘theoretically’” (Interview_D_U1)

The CEO described his sister as not being an entrepreneur type. She has a commercial degree in catering, and she operated a pension and restaurant next to the family business; however, it was not profitable, and she had to close it down. He offered her a position as a team leader for the receptionists, gardeners, and cleaners. So, she can manage people; however, the area does not impact the company’s performance. “Well, she needs a task that she’s not completely committed to, and if she doesn’t do it, the field still works, and if she does it, she adds something extra, and there are successes. Finding that task for her is not easy. To make her feel good, to feel like a useful member of the company and even her colleagues feel that her work has a positive impact.” (Interview_D_E3) The successor also claims that she cannot be entrusted with a task that is important or time-bound. So, if she doesn't feel like working for months, it doesn't matter if she doesn't do her job. (Interview_D_U1)

Parental altruism can be observed in the act of the CEO’s father handing over the ownership to the CEO’s sister. The CEO also respected that and even consciously took care of his sibling regardless of her performance.

“If I don’t grab her and don’t embrace her, she can’t prevail; which one is better for me? Can I tolerate the hurting – sorry – humiliating, commenting on these and not giving up or saying I don’t care about you, go to work where you want? So, I think we always have to fight to keep the best possible relationship ...” (Interview_D_E3)

The successor highlighted that it is part of the family philosophy that every family member can have a place and make a living from the company too, but those probably won't be able to take out so much from it either on a knowledge level or on another level if they don't give themselves for the future of the company. (Interview_D_U1) However, it seems that for the next generation, meritocracy seems to be more important than their predecessors. The successor claims that if a family member holds a manager position, he/she should look at the company's interest. “It should be set aside that someone is a family member. If you do not prove it, you will unfortunately not be entitled to even that position because the company has an interest in it.” (Interview_D_U1)

The CEO argues that it is important to have a formal structure and an appointed leader who makes the decisions to avoid disputes and conflicts between family members as well as multiple co-owners. However, in the case of the family business, the designated leader should also be loyal and understanding to family members as well as co-owners. At the same time, it is also necessary to have enough humility to accept the leader in line with the formal decision-making process.

“It is very, very important in my eyes that the leader should be loyal and understanding, that he also needs that man who only accomplishes half of it... So, we must not let either the family member or the co-owner, so neither should abuse the rights they have.” (Interview_D_E3)

The CEO's father

The CEO's father acts as an operational leader for which he does not have a formal position. He disregards the formal hierarchy, directs subordinates based on seniority, bypassing the direct manager sometimes. He starts at 3 a.m. in the company, he has good and useful insights, but in many cases, there is a problem with his style and manners. (Interview_D_U1). Moreover, he cannot keep up with IT developments and today's solutions. “He lives his everyday life here; he likes to take actions. In many cases today, it is no longer certain that his way of thinking will take us forward.” (Interview_D_U1) They try to teach him not to act himself, as there are already other solutions in the digital world. For example, he went abroad for components, although he could also order them abroad. They also try to teach him that if he sees something in the plant, he should signal it to the manager in charge of the area without humiliating the managers in front of their subordinates.

The non-family colleagues respect him; however, they can handle this ambiguity differently, so sometimes, the family must handle these in the background.

“There are colleagues, who can handle him very well, and there are those who can handle him less. Usually, you must nod yes, it is okay. They do it for him. If they can't get it done, they come to higher levels, even to my dad, to ask for help.” (Interview_D_U1)

“Everyone respects and understands what he's doing here and takes action, and then we try to handle these in the background.” (Interview_D_U1)

The effect of PM practice on perceived justice

Communication and voice

A few years ago, HR introduced an employee satisfaction survey. Since then, they have repeated it annually. As a family business, it was important for them to involve employees in the development of HR. Based on these employee surveys, they define the priority and focus areas of HRM.

Clarity of information, process, and expectations

The role of line managers is critical in the performance evaluation process, and the company seems to recognize this; however, the top management struggles to keep line managers committed to performance management.

Even though the daughter first argued that in terms of fairness and justice, most of the manual workers “do not deal with these things.” (Interview_D_U1) Those few who do care about having goals and getting feedback move up the corporate ladder. She also admitted that the middle manager impacts employees' perceptions of fairness and justice. If the leader can authentically represent the goals and guidelines of the leader or the family. (Interview_D_U1). The first employee satisfaction survey also showed that employees felt that managers did not really care about them. They didn't give feedback or say thanks for their work.

“If you have a good manager and you accept him/her, and he/she can present the things, and what is often lacking in that the manager communicates in a way, that employee feels that he/she is loyal to the company and the manager fully represents that direction which the executive or the family gives then I think you feel fair. However, if there is a problem in communication and you say something but your gesticulation describes something completely different, then from then on it is already crumb of comfort, then you can say anything but your body will show the truth.” (Interview_D_U1)

Nowadays, many line managers fail to give feedback continuously, and it is difficult for them to give negative feedback. There are no semi-annual evaluations, so the achievement of the targets is not monitored during the year either. „There are areas, where I know, the manager prefers to put this aside so quickly... they don't feel the weight of it and how good this thing is for us.” (Interview_D_U1)

To improve the shortcomings of personal management, HR introduced a practice: When the managers hand over the payroll paper to their subordinates, they should talk with them about their previous month's performance. (Interview_D_LM2)

All in all, the interviewees admitted that the role of middle managers needs to be strengthened.

Consistency across people, over time, and with agreed values and norms

The CFO argued that a good manager-subordinate relationship could make employees most committed. However, now, it mainly depends on the managers, such as shift managers and plant managers, how important the goals of performance management and an appraisal are for them. (Interview_D_LM2) Furthermore, the successor also highlighted that it might not be clear for the managers what value the PM processes represent. (Interview_D_U1)

The changeability of decisions, processes, goals, and principles

The CEO argued that there is iterative strategic planning in which subordinate managers play a significant role; furthermore, he gives a free hand in the implementation to the top management team. (Interview_D_E3)

Commitment to fairness:

Family owners prefer fairness over perceive justice. Good performer family employees can perceive performance evaluation as fair since they allocate resources based on need. They care for every family member and provide them a job, but in case of poor performance, a family member is not entitled to positions with high salaries and more responsibility.

The Effect of the Family

The presence of family affects planned performance management

Bifurcation toward family employees

Bifurcation toward family employees influences the planning phase of PM. The CEO and his family have two considerations as guiding principles.

First, the family CEO tries to find tasks and positions for every family member, in which one feels good and feels at home. They are only given a challenge that they can meet and succeed

in, and they are comfortable with it. The evaluation of all family members is strongly based on feedback from external and internal stakeholders on family employees' activity and behavior. (Interview_D_E3)

Second, in the case of an underachiever family employee, the CEO tries to find a field where he decreases or eliminates the possible negative effects of the bad performance on the company's performance.

“Well, she needs a task that she's not completely committed to, and if she doesn't do it, the field still works, and if she does it, she adds something extra, and there are successes. Finding that task for her is not easy. To make her feel good, to feel like a useful member of the company and even her colleagues feel that her work has a positive impact.” (Interview_D_E3)

While in case of most family members, he doesn't need to manage this since they are good performers (two daughters and his wife), or he could manage this successfully (his sister), in the case of his father, the family CEO still has to face with many conflicts (Interview_D_E3), That may affect perceived justice of the employees and has a negative impact on the familial relationships.

If the CEO's father saw a problem in the plant, he does not respect the formal hierarchy, and he addresses it directly to the workers and not to the manager in charge of the area, or he humiliates the managers in front of their subordinates. The non-family colleagues respect him. However, they can handle this ambiguity differently, and the family sometimes must handle these situations in the background. (Interview_D_U1)

The daughter describes the situation this way. “The company is located in a large enough area that there is room for everyone, and we can avoid each other.” (Interview_D_U1)

In line with these two considerations, there is a minimum expectation towards family members. In contrast to underperformance, the family CEO is much less tolerant of the inappropriate behavior of family employees. Family members are expected to treat employees with respect and humility, not to feel superior. As family managers, they should be open to suggestions from others and be persuasive along with common-sense arguments. (Interview_D_E3)

Formalization

The controlling family is committed to establish and maintain formalized management systems. They develop the system gradually, considering the needs of the employees and the specifics of the company. (Interview_D_LM2) At top management levels among family managers, the performance management and appraisal are not currently formalized and written yet. In everyday life, they often give feedbacks and praise each other. (Interview_D_U1)

The effect of family influence on actual PM practice

Importance of personal relationships over formalized structure - an organizational culture based on personal relationships not only complements but also replaces formal systems

The family and the family CEO need to maintain personal connections and a family atmosphere. The family members are very open, and they take an active part in the employees' life. All the interviewees proudly pointed out that the year-end party has been organized for 30 years and it

is very important and popular among the employees. At the same time, at this size, the need to introduce various formalized management systems has also been recognized, and several management systems have been introduced.

After the goals are set, the CEO gives a free hand in the implementation to the top management team; however, he is frequently asked for his help in making and communicating decisions. Most of the employees were hired by the CEO, so they are attached to him, and therefore they find it difficult to transfer the actual direct control of them despite the existing formal structure. He often encounters the need to motivate and support the decision of his middle managers with his presence as the owner/CEO. He feels an increasing burden on the executive position, which takes a lot of time for him. He argues that professional management would be necessary for this size of the company. He wants to hand over the operational management to someone else to deal with strategic management in the following years. (Interview_D_E3)

The ineffectiveness and difference between planned and actual processes may be caused by the shortcomings of the family manager's personal management skills and the lack of setting a good example

Due to his personal abilities (lack of high education in management) and interest, the family CEO has less insight into the operation of the management systems at such a large number of employees. Therefore, he argues that he is less able to support the introduction, operation, and revision of the systems from his leadership position.

“So, these are the tasks that I find increasingly difficult to identify with, so it has outgrown me, so I should be replaced by someone, whom I sit next to and learn not to intervene in, but to lead the company with a more multinational approach.” (Interview_D_E3)

This effect causes a lack of communication with middle managers. The interviewees claimed that middle management is less aware of PM's goals and sees its benefits in achieving corporate goals. (Interview_D_U1)

„There are areas, where I know, the manager prefers to put this aside so quickly... they don't feel the weight of it and how good this thing is for us.” (Interview_D_U1)

The CFO argues that the processes are most influenced by the leader in charge regardless of whether the owner is a controlling family. In that sense, there is no difference between a family firm and a multinational company. (Interview_D_LM2)

Based on this, the family CEO does not set a good example either since he does not conduct annual performance evaluations with his manager subordinates. His subordinate has recalled only one occasion in the last few years. The CEO rather gives brief evaluations and feedbacks, and he also expresses his gratitude for the work, but it is not in a structured form, which would also be in demand. (Interview_D_LM2)

According to the interviewees, this leads that the potential of the existing management systems is not being exploited, and the planned and actual processes “differ by 35-40%”. (Interview_D_U1)

The effect of family influence on the outcome of PM practice

Underperformers are appointed to positions with less responsibility and authority, where they can have a less negative impact on organizational performance (sister and father). Good performers may be appointed to positions with more responsibility and authority and are involved in the strategic planning process (daughters).

Family workers who provided good or balanced performance may have a non-family leader.

The impact of the family business system on the family system

Due to the perceived unfairness of the family member, she decided to make a horizontal career move where she could develop under a different manager.

The effect of family influence on Perceived justice of PM

Familial altruism, Fredo effect, and both types of nepotism

The effect of *familial altruism and the “Fredo effect”* can be observed in the family business. Parental altruism originally comes from the CEO’s father, but later the CEO took over the responsibility of taking care of his younger sibling regardless of her performance.

“If I don’t grab her and don’t embrace her, she can’t prevail; which one is better for me? Can I tolerate the hurting – sorry – humiliating, commenting on these and not giving up or saying I don’t care about you, go to work where you want? So, I think we always have to fight to keep the best possible relationship ...” (Interview_D_E3)

Both types of nepotism (*reciprocal and entitlement nepotism*) are present in the family business. While reciprocal nepotism may have a positive impact, entitlement nepotism may negatively impact the perceived justice of PM among family and nonfamily employees.

The self-control of family members can affect the perceived fairness of the non-family manager during the performance management process.

The family CEO respected the formal hierarchy and formal performance appraisal processes for family members working under the non-family manager. Although the family CEO asked for information about their performance, he did not comment on their evaluation and even expected the manager to treat them harder than others (Interview_D_E3). In addition, of course, the CEO also relied on feedback from other external and internal stakeholders regarding the performance of family members. (Interview_D_E3) Although the non-family manager was convinced that family members might discuss everything about him and his work in the family, he felt fully empowered, and therefore, he perceived the process as fair as an evaluator manager. That also could affect the perception of other non-family members of his team. (Interview_D_LM2)

Moreover, the nonfamily manager also confirmed that the openness and attitude of family subordinates are also essential during their performance management. (Interview_D_LM2)

The ability to differentiate between familial and company roles (as being a father and a CEO)

While the family CEO respected the formal hierarchy as a father, he supported his daughter from the background, and like a mentor, he provided advice to her since he knew the leader and her daughter's strengths and abilities. (Interview_D_E3) In this way, the daughter also experienced the process as fair, during which her performance is judged based on her own work and behavior. (Interview_D_U1)

Other elements of the conceptual framework

Cognitive processing of participants - The non-family manager's personality, experience, and trust in the family may affect the perceived justice of his/her family subordinates.

The younger daughter argues that it depends on the manager whether he/she can take over the management of a family member or not. (Interview_D_U1)

Those non-family managers, who have autonomous personalities, positive self-image, and a basic trust toward the family CEO and preferably belongs to the inner circle, are less likely to be frightened that a family member is his/her subordinates.

Otherwise, the non-family manager may be afraid that his/her position will be taken away by the family subordinate, so fewer challenging tasks were assigned to him/her from which the family member could have learned less.

Contextual factors

Shortage of skilled labor

Due to a shortage of skilled labor, the goal of PM is to retain employees, so a development-focused PM system has been introduced.

5.4. Conclusion

Below I summarize the most important findings of my research according to the propositions generated from the literature review previously.

The effect of Family influence on Performance Management

Proposition 1

The presence of family has an impact on the antecedents and consequences of perceived justice of performance management practice of family and nonfamily employees in four ways: planning, implementation, communication, and coordination.

1a) The effect of family influence on intended PM practice

Proposition 1a

The presence of family affects planned performance management in terms of the level of bifurcation and formalization.

The companies differ greatly in whether there is bifurcation bias in their management processes and, if yes, which employee group they favor. I examined a family business in which controlling family has bifurcation bias toward family employees, which may decrease the perception of fairness among both family employees and non-family employees. Other families believe in no bifurcation bias; however, they hold successors to higher expectations. At the same time, a family may have bifurcation bias favoring an older family member identified as the owner's "extended hand". However, identification with the owner was so great that the employees probably did not perceive the lack of formalized performance assessment as unfair in that case. Another owner's family was about to change their management practices from bifurcation bias favoring non-family employees to no bifurcation bias to reduce unfairness since they used to be more lenient with non-family employees depending on which family manager managed them.

In family businesses, family executives can be a driving force in formalization and professionalization. Informal processes still play a major role in the management structure. Formal systems maybe being introduced gradually and only where it is necessary. They introduce a formal PM system by relying on informal processes to incorporate main principles (e.g., credibility, efficiency).

In one case, a family business had already operating formalized performance management practices for successors. When the successors got to know the business and proved their competence, diligence, commitment and were about to start their own family, they felt the need to establish financial independence by setting a performance-based bonus system with transparent goals. The evaluation is carried out jointly with parents and children, which strengthens transparency among family employees. It was established for the siblings at the same time regardless of how long the two worked for the company. That rather reinforces the principle of equality.

A family also incorporated the importance of personal relationships to the PM system by establishing annual performance appraisal discussions at all levels (senior executive, middle management, and factory worker level), which are part of the company culture.

Based on my findings, I rather confirm Proposition 1a. I argue that it can presumably be generalized to all family companies internationally as well and not only in the case of the examined enterprises under Hungarian conditions. At the same time, I would add that presence of family may influence the planned PM processes through incorporating personal relationships into the system.

1b) The effect of family influence on actual PM practice

Proposition 1b

The presence of family influences the actual performance management practice through line-managers implementation, leading to more efficient informal PM practices.

In a family business, in the case of informal or partly formal appraisal processes, family members controlled the process and assessed the management together, while the evaluation mechanisms and criteria were unknown to the non-family HR manager. Predecessors also supported formal processes informally and helped develop and design them even as part of the succession. As a positive effect, the presence of the predecessor might provide extra motivation for employees during regular evaluations.

In another case, the four owners as a family conducted performance appraisal reviews with each member of the top management team, which fosters goal alignments, consistency and builds trust through generations.

In the third family business, the family executive led changing process and systems implementation, so people felt that these changes were important and, therefore, the implementations were more effective. During the appraisal discussion among family managers, the family members also found it important to create a common position on performance standards and evaluation to be able to convey the same messages to the organization.

Since family members can still violate the formal hierarchy unconsciously and send confusing messages to subordinates, in that case, I also found that even controlling family feels the need for formalized systems. They still fear that the company won't be flexible enough.

In the fourth company, personal relationships not only complement but often replace formal systems. The CEO also recognizes the importance of formal systems and applies them, but a culture based on personal relationships prevents this from happening. The ineffectiveness and difference between planned and actual processes may be caused by the shortcomings of the family manager's personal management education and skills and the lack of setting a good example for the management team.

Based on the statistical analysis of my sample, the position has an impact on how much an employee considers the company as a family business. Based on the means, the managers consider the company more like a family business. While the position may have an impact on how much an employee perceives the overall fairness referred to supervisor and organization, as well as the procedural, informational, and overall justice of Performance Management, the position will not have an impact on how much an employee perceives the distributional and interpersonal justice of Performance Management.

Based on my findings, I rather confirm Proposition 1b. I argue that it can presumably be generalized to all family companies internationally as well and not only in the case of the examined enterprises under Hungarian conditions.

1c) The effect of family influence on perceived/experienced PM practice

Proposition 1c

The presence of family influences the experienced/perceived performance management practice through its communication by top and line-managers that leads to more efficient informal PM practices.

Based on the interviews, family managers' ownership approach can strengthen loyalty and employees' perceptions of fairness through setting an example of a hard-working work ethic. Reciprocal nepotism appeared in one family business, but according to the interviews, this does not affect perceived justice among non-family managers, as the family respects the formal hierarchy, while this leads to generalized trust-based exchanges that aim to strengthen the relationship between family members.

The owner's management strengthens the personal relationship by walking around the factory to talk to employees at all levels regularly. Furthermore, owner's and family employees' participation in company programs and leadership and vocational training with employees also strengthens the perceptions that the owners are accessible and open for communication.

As the organization grows, the frequency of personal relationships decreases, which may negatively affect middle management's commitment. However, when the family executive has a personal, informal conversation with subordinates at the request of the middle manager despite the growing organizational size, it has a motivating effect on the subordinate and the manager as well.

The personal relationship is also important in goal setting, forming expectations, and their communications. If the management conducts the strategy planning locally, that can foster commitment since everything is more personal. The company values can be transferred directly by managers and owners in the form of expectations and behavior patterns. The personal commitment to the leader and the common goals can build an important bond of trust with the management in the family business, which has an influence on individual performance.

Family value is imprinted to the given organizational culture. In the controlling family, hardworking and diligence were considered as "performance" regardless of the produced value or the money. The organizational culture reflects on this family value. Someone could make mistakes without serious consequences and punishment. In the case of a line manager reporting damage, first, the feedback was "thank you for telling us," and managers focused on improving and solving the problems.

Based on my findings, I rather confirm Proposition 1c. I argue that it can presumably be generalized to all family companies internationally as well and not only in the case of the examined enterprises under Hungarian conditions. At the same time, I would add that presence of family influences the experienced/perceived PM processes through personal relationships, ownership approach, and family values.

1d) The effect of family influence on the outcome of PM practice

Proposition 1d

The presence of family influences the possible outcome of perceived justice of performance management through coordination, such as defining organizational structure (a division of tasks, scope of authority, types of coordination, and configuration).

The family CEO can respond immediately and effectively to dissatisfaction with the system with the support of the family. Incorporating experiences and suggestions of employees

increases individual performance through engagement in the future.

However, a maximalist atmosphere stemming from the owners may lead to a lower procedural and distributive justice level. When annual strategic goals are set too tightly in a maximalist atmosphere and the planning process is not revised, but the goals will remain just as difficult to achieve next year, which may cause tension at the employee and middle management level.

Loyalty is an important evaluation aspect in performance management, as those who have worked there in the past know the strategic goals better, and thus, they are more committed to them. In the long run, this can foster both individual and organizational performance.

A family business may emphasize recruiting, selecting, retaining, and promoting those non-family managers who are in line with their values. As an important outcome of PM practice, non-family managers with an ownership attitude are promoted to higher leadership positions and got involved in the strategy. However, the development outcomes of PM may be applied less effectively because the non-family manager may perceive the family HR manager as a family member rather than an HR manager.

Regarding performance management of family employees, a non-family CFO was appointed in a case study, and a formal governance structure was built to eliminate conflicts and strengthen justice perception among family members.

In another case, family underperformers are appointed to positions with less responsibility and authority, where they can have a less negative impact on organizational performance. Good family performers may be appointed to positions with more responsibility and authority and are involved in the strategic planning process. Family workers who provided good or balanced performance are more likely to have a non-family leader.

Based on my findings, I rather confirm Proposition 1a. I argue that it can presumably be generalized to all family companies internationally as well and not only in the case of the examined enterprises under Hungarian conditions.

2) The effect of PM practice on perceived justice

Proposition 2

By differentiating between the two concepts of justice and fairness, family firm leaders pursue to achieve a high level of fairness rather than a high level of justice among family and nonfamily employees in the PM processes.

Based on the statistical analysis of the sample, the distributions are negatively skewed in all dimensions. In the case of negative skewness higher number of data points have higher values. Higher values dominate more strongly in terms of overall fairness related to supervisor and informational justice and interpersonal justice dimensions. Procedural justice has the lowest mean value and is less skewed negatively, which stems from less formalization of the family business. However, the results indicate that further research is needed.

Based on the interviews, family firm leaders are committed to fairness, and they strive for fairness among non-family employees not only in performance management decisions but also in compensation and promotions. They talked about their employees in a very respectful manner. The importance of personal relationships and trust in the company culture indicates a high level of interpersonal justice in every case. The companies are constantly improving their PM processes; however, requirements of accuracy and free of bias are not always met. Family leaders can ensure consistency over time and over people more easily in the top and middle management levels. It is also important for family leaders that employees can raise their voice and they are eager to make changes based on employees' feedbacks.

Based on my results, I cannot deny or confirm my Proposition 2, and further research is needed.

3) The effect of family Influence on Perceived justice of PM

Proposition 3

Family Influence has an effect on the perceived justice of Performance Management.

Proposition 3a

Family Influence has a direct effect on the perceived justice of Performance Management.

Proposition 3b

The various sources of family influence may interact with each other so that one source of family influence may have a moderator effect in the relationship between another source of family influence and perceived justice of Performance Management.

Proposition 3c

The various sources of family influence may interact with each other so that one source of family influence may have a mediator effect in the relationship between another source of family influence and perceived justice of Performance Management.

During my qualitative analysis, I found signs of reciprocal nepotism in a family business case. A family employee works as a manual worker. His direct line manager is satisfied with his work, and the family member is also proud that he belongs to the family. If the family executives have other family-related duties and tasks outside of the office, they tend to ask him for help to act in their name. In this case, the family executive asks permission from the line manager in line with the hierarchy first. That rather has a positive impact on justice perception since it leads to generalized trust-based exchanges that aim to strengthen the relationship between family members. At the same time, the family shows strong self-control by respecting the formal hierarchy, which may have less effect on the perceived fairness of the non-family manager and other subordinates as well.

In another case, the effect of familial altruism and the “Fredo effect” can be observed in the family business. Parental altruism originally comes from the CEO’s father, but later, the CEO took over the responsibility of taking care of his younger sibling regardless of her performance. Both reciprocal and entitlement nepotism are also present in the family business. While reciprocal nepotism may have a positive impact, entitlement nepotism may negatively impact the perceived justice of PM among family and nonfamily employees.

However, at the same time, the self-control of family members and the ability to differentiate between familial and company roles (as being a father and a CEO) can affect the perceived fairness of the non-family manager positively during the performance management process.

While the family CEO respected the formal hierarchy, he supported his daughter from the background by mentoring her as a father. In this way, the non-family manager and the daughter also experienced the process as fair, during which her performance is judged based on her own work and behavior by the line manager.

In the third case family manager’s self-control and common values of belonging and ownership stemming from the founder help the family members solve their conflicts by establishing more formalized systems to eliminate injustice and unfairness. That we can see as a family effect to reduce the family impact on appraisal

According to the statistical analysis of questionnaires, those subordinates, who consider the company as a family business, perceive performance management practices more fair, referring

to the supervisor and the organization and more just regarding all justice dimensions. However, in the case of managers, the statistical analysis cannot confirm that, and the results rather indicate that further research is needed, and it would be worthwhile to examine this in a larger sample.

Based on the above, I would rather confirm Proposition 3a and deny my Proposition 3b and 3c. Presumably, these two propositions are not valid; they should be deleted in this form.

4) The impact of the family business system on the family system

Proposition 4

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes directly and later on indirectly by the modification of coordination mechanisms.

Proposition 4a

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness of the PM and PA processes.

Proposition 4b

A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness through the PM and PA processes indirectly by modification of coordination mechanisms (e.g., modifying division of tasks and scope of authority by appointing family or nonfamily managers).

In one case, I did not find any effect of the family business system on the family system because the power structure has not been reflected on a formal governance structure with a corresponding leadership position. Yet informally, the family member is considered as the leader of the given fields more and more, and non-family managers adapt to that. Moreover, the successor is also fine with the situation, and she does not claim another position for herself. It is a common phenomenon that the capability of the offspring to continue the business is evaluated by the parents based on feedback from external partners through informal processes at work, especially in the beginning.

The formal performance evaluation is also linked to succession. During the performance review, the development and career goals are set, as well as the succession-related company goals and tasks are also formulated (substitution in case of having children of the daughter).

The predecessors and successors may carry out the performance review of non-family managers together to develop and prepare the successors for the succession by ensuring the transfer of core values and people management skills through generations and build trust between the successors and the non-family managers.

During these PM practices, the family also strives for consensus and affirming and representing the same family values. Next to this, physical closeness helps to set an example and give opportunity for the parents to help their children in the work if needed (mentoring.)

In another case, I found a lack of a formal performance appraisal system for family managers along with objective numbers without a formalized way of giving feedback to each other, which leads to conflicts within the family and criticism on personal grounds. These conflicts in assessing family firms' performance have led to changing the management structure and the positions of family members at a group level.

I also observed a case where a family member perceived unfairness because of her non-family manager, so she decided to make a horizontal career move to develop under a different manager.

Based on my findings, I rather confirm Proposition 4a and 4b. However, I would add that this effect is presumably significantly stronger during the succession process.

Other elements of the conceptual framework

Contextual factors

Due to the favorable institutional environment within Industry 4.0, a family company could develop a professional KPI and controlling system, which can be the basis of a more consistent and transparent performance management system.

In one case, different labor market situations caused inequalities between sites. A family business has different sites in different regions, where the prices and income levels are different. Moreover, due to different levels of technology, the requirements for the workforce are different. Based on these differences, we can argue that internal fairness is achieved within each site; however, external unfairness between sites exists. Due to the shortage of skilled labor and market pressure to raise wages, the family management decided to establish performance management practices, which rather aim to support the establishment of a performance-based compensation system.

Pandemic also influenced perceived justice indirectly in one case. While manual workers received a salary increase in compliance with the law, salary increases of the management were delayed due to COVID. That caused dissatisfaction at management levels until they received a retroactive salary increase. An HR manager argued that also due to the pandemic, the introduction of the performance management system with proper communication and training for middle management is delayed in another case.

As an internal situation factor, the company has grown drastically within a short period of time, and the management could not catch up with this by implementing new rules and policies and formalized processes. As the family business grows, there are more and more companies in a family business group. Due to different organizational cultures, the performance management system aims to change and integrate the different cultures and unify the expectations regardless of the top management at different firms.

Another interesting element of the external situation can be observed in some interviews. Management studies foster preconceptions about family businesses that they are unprofessional. When four owners as family conducted performance appraisal reviews or family members controlled the PM process and assessed the management together, family members did not or hardly talked about it. Since family business management does not belong to the mainstream management studies in the academy, familiness and HR practices influenced by the presence of the controlling family can be viewed as unprofessional and something which is better to hide. This may undermine the reliability of quantitative researches.

Cognitive processing of participants

The non-family manager's personality, experience, and trust in the family may affect the perceived justice of his/her family subordinates. It depends on the manager whether he/she can take over the management of a family member or not. Those non-family managers, who have autonomous personalities, positive self-image, and a basic trust toward the family CEO and preferably belongs to the inner circle, are less likely to be frightened that a family member is his/her subordinates. Otherwise, non-family managers may be anxious that the family subordinate will take their positions away, so they assign fewer challenging tasks to him/her from which the family member could have learned less.

6. Conclusion of the conceptual framework

My theoretical framework was based on three central studies introducing leading models. First, the model of Barnett and Kellermans (2006) proposed the relationships among family influence, HR practices, and justice perceptions among non-family employees at family businesses. They suggested that the involvement of the family in the business may affect the non-family employees' perceptions of justice directly, but its effect may be largely mediated by family firms' HR practices. However, Barnett and Kellermans (2006) focused only on non-family employees and generalized their assumptions on HR practices as a whole. They also have not clarified how family influence occurs during a specific HR process. Furthermore, their model represents family influence as a sole effect without considering the mediating and moderating effect of different types of family influences. Second, the Process Model of Strategic Human Resources Management framework by Nishii and Wright (2008) was extended to the Process of Performance Management by Farndale, Hope-Hailey, and Kelliher (2011). That can emphasize the three lenses (intended, enacted, and experienced) of formal and informal HR practices. This model missed discussing the effect of the controlling family and said little about the dynamics of perceived justice during the HR process and practices. Third, Erdogan's model (2002) emphasizes the antecedents and consequences of formal PA practices, including distributional, procedural, and interactional justice. This model focuses on formal processes of performance appraisal practice, and it does not describe informal processes or other PM elements. It does not consider the presence of the controlling family either.

The main contributions of my research are the following. First, I suggested a conceptual framework based on a systematic literature review (Fink, 2010), which I investigated by conducting a Multiple Embedded Case Study with the involvement of four family businesses in Hungary. Second, in contrast to Barnett and Kellermans (2006), I focused on only one HR subsystem, namely the Performance Management and Appraisal system, and its formal and informal processes. Second, I concentrated on the processes through three lenses (intended, actual, and perceived) influenced by the controlling family through planning, implementation, communication, and coordination. Third, I indicated external and internal contextual factors of FB system. Fourth, I suggested that PM subsystem has an impact on the relationship between the family and the company system as well. Finally,

Based on my study, I argue that it is important to examine formal and informal processes together. However, formal and informal processes cannot be sharply separated, as I suggested previously in the Conceptual Framework. Since formal PM systems usually rely on informal processes to incorporate main principles. Informal processes can also weaken and strengthen formal processes; however, I have found that informal processes rather strengthen formal ones. Formal systems are also being introduced gradually and only in areas where it is necessary (e.g., size, mass-production, quality assurance). Where a strong organizational culture and personal relationships can replace formal management processes, they keep engaging in the informal practice.

In the case of the performance management process, I can confirm the main statement of the model of Barnett and Kellermans (2006), which suggested that the involvement of the family in the business may affect the non-family employees' perceptions of justice directly, but its effect may be largely mediated by family firms' HR practices.

The Process of Performance Management by Farndale, Hope-Hailey, and Kelliher (2011), also helps well to interpret the different family effects at each lens (intended, enacted, and experienced) of the process. Accordingly, I argue that Propositions 1a,1b,1c, and 1d can

presumably be generalized to family companies internationally of the same size as the examined enterprises.

I cannot deny or confirm my Proposition 2, and further research is needed. However, I indicate that fairness and justice are not sharply separated concepts in everyday life. Family managers do not try to make a conscious choice between the two concepts in their decisions related to PM.

In contrast to Barnett and Kellermans (2006) model, I proposed that family influence is not a sole effect, and the mediating and moderating effects of different types of family influences should also be considered. However, I could not find the validity of these propositions in my research. I would modify my conceptual framework by deleting Proposition 3b and 3c and only keep Proposition 3a in line with Barnett and Kellermans (2006) model.

In line with Proposition 4a and 4b of my conceptual framework, I found that a family business system has an impact on the family system in the examined cases. While I confirmed these propositions, I add that this effect is presumably significantly stronger during the succession process. Formal PM and PA processes may serve as an appropriate framework for the participants during the succession process. The predecessors and successors may carry out the performance review of non-family managers together to develop and prepare the successor for the succession by ensuring the transfer of core values and people management skills through generations and build trust between the successors and the non-family managers. Furthermore, I found that formal goal setting and evaluation of the successors can play a key role in professionalization. It is good for the company since it makes the family business more independent from the family. And it is good for the family since it strengthens the commitment of the successors. However, further qualitative research is required to understand more the impact of the family business system on the family system. Nevertheless, future research may be limited because the family members tend to cover up the family influence from outsiders since they fear that the presence of the controlling family can be viewed as unprofessional. I presume that the impact of the family business system on the family system mainly appears in PM, and it may be less significant in other HR processes, such as recruitment and selection.

In line with the process model, I also argue that cognitive processing of participants and contingency variables, such as national culture, family firm size, industry (Ikramullah et al., 2016), can have a significant impact on the perceived justice of PM practices in which further research is needed to understand their dynamics more.

The limitation of my research is that I only examined Hungarian small and medium-sized enterprises with more than 100 employees, which are not operating in the agriculture or service sector, have no piece production, and there is an ongoing family leadership succession process in the advanced state. To control the effect of macro-environmental factors as inputs of PM as much as possible, I studied the selected cases for my research, which are located in the same quadrant of the model of Ikramullah et al. (2016). Based on the examination of the propositions, the proposition 1a, 1b, 1c, 1d, 4a, and 4b are rather acceptable as valid propositions. Presumably, the propositions can be generalized and may have general validity.

7. Appendixes

1. Appendix – Cover story

Tisztelt Cím!

A Budapesti Corvinus Egyetem Gazdálkodástudományi Karának doktor jelöltje vagyok és jelenleg a disszertációmot írom, amely során azt kutatom, hogy hogyan befolyásolja a teljesítménymenedzsment és értékelési rendszer az észlelt igazságosságot a családi vállalkozásokban? Hogyan jelenhet meg a családi hatás az adott HR folyamatban?

A kutatás a családi vállalatok erős kis- és középvállalattá való fejlődését és professzionalizálódásának sajátosságait segíti feltárni 3-4 családi vállalat teljesítménymenedzsment és –értékelési rendszerének, folyamatának vizsgálata által.

Az elemzésem során olyan családi kis- és középvállalatokat keresek, amelyeknél van formális teljesítményértékelési rendszer, és ahol már végbement az utódlási folyamat vagy még részben előtte állnak. A kutatás során a teljesítménymenedzsment gyakorlatával és az észlelt igazságossággal összefüggésben dokumentumelemzést folytatnék, mélyinterjúkat készítenék vezetőkkel, valamint kérdőíves felmérést végeznék a családi és nem családi munkavállalókkal.

Betartva a szigorú kutatásetikai elvárásokat szintén mellékelem a kutatásban való önkéntes részvételre vonatkozó rövid egyetértési nyilatkozatot, mely biztosítja, hogy a beszélgetés és a kapott dokumentumok tartalma kizárólag kutatási célokat szolgál, s minden rögzített információt bizalmasan kezelek a kutatásom során.

Természetesen szívesen küldök bővebb információkat a kutatásról és a készülő disszertációmról, valamint állok rendelkezésre személyesen is a tisztázó kérdések megválaszolására.

Tisztelettel,

Vajda Éva

PhD jelölt

2. Appendix – Statement of Consent

„A teljesítménymenedzsment hatása az észlelt igazságosságra a magyarországi családi vállalkozások esetén” c. PhD disszertáció

Hozzájárulási nyilatkozat

Önkéntesen veszek részt a fenti címben megjelölt PhD kutatásban, mint interjúalany, amelyet Vajda Éva, a Budapesti Corvinus Egyetem Gazdálkodástani Doktori Iskola doktorjelöltje végez. Megértettem, hogy részvételemre az alábbi feltételek érvényesülnek:

1. Megértettem, hogy a projektben történő részvételem önkéntes. Megértettem, hogy a részvételért díjazást nem kapok. Bármikor dönthetek úgy, hogy visszalépek a részvételtől és nem folytatom tovább.
2. Megértettem, hogy ha az interjú során bármilyen okból kényelmetlenül érzem magamat, jogom van megtagadni a választ vagy véget vetni az interjúnak.
3. Megértettem, hogy részvételem részét képezi, hogy a Budapesti Corvinus Egyetem kutatója interjút készít velem. Az interjú maximum 90 percet fog igénybe venni. Továbbá elfogadom, hogy az interjú alatt a kutató beleegyezésemmel jegyzeteket és hangfelvételt készíthet az utólagos szó szerinti átirathoz.
4. Megértettem, hogy a kutató nem használja fel a nevemet és más adataimat semmilyen beszámolóban és a résztvevőként felém tanúsított titoktartás biztosítva van. A felvételek és adatok utólagos használata az általános adatvédelmi szabályok betartásával zajlik, ami védi az egyének és intézmények névtelenségét.
5. Megértettem, hogy ez a kutatás és minden hozzá tartozó adat kizárólag akadémiai kutatás célját szolgálja.
6. Elolvastam és megértettem a számomra szolgáltatott magyarázatot. Minden kérdésemre kielégítő választ kaptam, és önkéntesen elfogadom, hogy részt veszek ebben a kutatásban.
7. A kutató 5 munkanapon belül elküldi számomra a rögzített hanganyagot, ezt követően 7 napom van jelezni, ha az interjú valamely része szó szerinti idézetként nem használható fel.
8. Másolatot kaptam erről a nyilatkozatról.

Aláírással elfogadom, hogy részt veszek ebben a kutatásban, a fentebb olvasható feltételekkel.

Résztevő neve	Kutató neve
Pozíció	Pozíció
Vállalat	Intézet
Aláírás	Aláírás
Dátum	Dátum

3. Appendix – General interview with the CEO/incumbent/successor

I. Questions about the Interviewee/ Kérdések az interjúalanyról:

- Milyen pozícióban dolgozik és mióta a cégnél? Hogyan került a céghez?
- Milyen végzettsége van?
- Családtag vagy nem családtag? (Ha igen, ha nem...) hogyan jellemezné a kapcsolatát a családdal?

II. Questions about the Family Business/Kérdések a családi vállalkozásról:

Kérem, hogy mutassa be a családi vállalkozás alapvető profilját, tevékenységét, legfontosabb szereplőit és rövid történetét! (P1)

- Hogyan jellemezné a vállalat külső környezetét?
- Melyek a szervezet belső adottságai?
- Mi a vállalat víziója, missziója és vállalati stratégiája
- Milyen a vállalat pénzügyi és nem pénzügyi teljesítménye?

III. Genogram (P1a,b,c,d,P3a,b,c,P4a,b)

- A genogramra felkerülnek a családi vállalattal kapcsolatos információk is (Kik a munkavállalók/vezetők, ki az ügyvezető, kik a felügyelőbizottság tagjai, kik vesznek részt a családi tanácsban, kik a tulajdonosok és tulajdonrészeik nagysága).

IV. Questions about the impact of family in Family Business/ Kérdések a családi hatásról a családi vállalkozásban: (P1a,b,c,d,P3a,b,c,P4a,b)

- ***Components of involvement:***
- Milyen a családi tulajdonrész aránya (százalékban)?
- Milyen a családi részvétel aránya (a felsővezetésben részt vevő családtagok a felsővezetés százalékában)?
- Mennyi a tulajdonos családtagok száma?
- Mennyi a vezetőként dolgozó családtagok száma?
- Az ügyvezető családtag-e?
- Melyik jellegzetes konfigurációs típushoz tartozik leginkább a családi vállalat? (tulajdonos-menedzser – testvéri partnerség – unokatestvéri konzorcium – vállalkozó család)
- Mi az üzleti filozófia (családi vállalkozás/vállalkozói filozófia – vállalkozó család/befektetői filozófia)?
- Mennyi a családi kézben lévő cégek száma?
- Milyen a családi cég/cégek termék-, illetve szolgáltatásportfóliójának diverzifikáltsága (magas – alacsony)?
- ***Essence of involvement:***
- Mi a „tulajdonosi” filozófia („első a család” – „első az üzlet”)?
- Milyen a céggel való családi identifikáció (magas - alacsony)?
- Milyen a vállalat stakeholderekkel való társas kapcsolat (erős - gyenge)?
- Milyenek az utódlási intenciók (erős - gyenge)?
- Mennyi a cégben részt vevő generációk száma?
- Az alapító vezeti-e a céget? Ha nem, az alapítótól számított hányadik generáció?

- **Mennyire ért Ön egyet az alábbi állításokkal (felteendő az elődnek, utódnak, CEO, vezető és nem vezető családi munkavállalók esetén)? (Drótos et al. 2018, riportból)**

	egyáltalán nem jellemző	inkább nem jellemző	is-is	inkább jellemző	teljes mértékben jellemző
a, A családi vállalkozásunkhoz való tartozás érzése erős a családtagjaim közt.	1	2	3	4	5
b, A családi vállalkozásunknak erős személyes jelentősége van a családtagok számára.	1	2	3	4	5
c, A családtagok büszkén osztják meg másokkal, hogy a családi vállalkozás részei.	1	2	3	4	5
d, A családtagok közti erős érzelmi szálak segítenek a pozitív énkép fenntartásában.	1	2	3	4	5
e, Az én családi vállalkozásomban a családtagok közti érzelmi kötések nagyon erősek.	1	2	3	4	5
f, Az én családi vállalkozásomban a családtagok melegséggel érznek egymás iránt.	1	2	3	4	5
g, A családi örökség és tradíció folytatása fontos cél a családi vállalkozásom számára.	1	2	3	4	5
h, Családi tulajdonosaink inkább hosszútávon értékelik a befektetésüket, mintsem rövid távon.	1	2	3	4	5
i, A családtagok fontos célja, hogy az üzlet sikeresen öröklődjön a következő generációra.	1	2	3	4	5

V. Questions about succession / Kérdések az utódlásról: (P4a,b)

- Milyen kimenetet terveznek és időben mikor?
- Van-e már potenciális vagy kijelölt utód?
- Volt-e már korábban utódlás?
- Van-e utódlási terv (írott vagy íratlan)?
- Tulajdonátadás hogyan történik?
- Mikor veszi át a HR-t az utód (utódlás előtt vagy után)? Tervez valamilyen módosítást ezzel kapcsolatban?
- Milyen a kijelölt utód családi támogatása?
- Mi lesz a régi vezető szerepe az utódlás során?

VI. Questions about the HRM and PMS/Kérdések a HR-ről és a Teljesítménymenedzsmentről:

- Mit gondol vagy hogyan mutatnád be a munkavállalókat, akik Önöknél dolgoznak?
- Ki foglalkozik az emberi erőforrás menedzsmenttel a cégnél és milyen képzettséggel és tapasztalattal rendelkeznek? (VEZETŐTŐL)
- Hány fő dolgozik a cégnél? Milyen a munkavállalók eloszlása (végzettség, tapasztalat, kor, nemek, támogató-termelői funkció, vezető-beosztott szerint)?
- Mekkora a fluktuáció mértéke?
- Milyen HR rendszerek vannak a cégnél? Mikor vezették be a TM rendszert és hogyan történt a TM megalkotása és bevezetése?
- Milyen célkitűzései vannak a TM rendszernek? Mire használják a TM-et?
- Milyen értékeket képvisel a TM?
- Hogyan illeszkedik a TM a többi (HR) rendszerhez? A TM kialakításakor milyen szempontok játszottak szerepet
- A TM eredményeit, tanulságait milyen más menedzsment döntés kapcsán használják fel. Tudna, konkrét példát mondani?
- Kérem, hogy mutassa be a jelenlegi TM folyamatot! Milyen dokumentumok támogatják a TM rendszert? Mi a szerepe a közép és felsővezetésnek a TM folyamat során?

- Kérem, hogy mutassa be a teljesítményértékelés folyamatát! Milyen szerepet vállalt a vezető a rendszerbevezetésében és működtetésében? / Milyen szerepet vállalt/vállal Ön a rendszerbevezetésében és működtetésében (HR-es, CEO, munkavállalóm, középvezetőtől)?
- Mennyire érzi a TM rendszert hatékonynak? (VEZETŐ IS)
 - Mennyire valósult meg a kitűzött cél a TÉR-rel kapcsolatban? (szándékolt-megvalósult folyamat)
 - Milyen fejlesztendő területeket lát?
 - Mi az, ami Ön szerint jól működik és miért?
- Mennyire tartja igazságosnak? Mennyire tartja méltányosnak? (Mit gondol, hogy mi a különbség a kettő között, elmondom neki.)
- Mit gondol mennyire tartják mások igazságosnak?
- Mit gondol mennyire tartják mások méltányosnak?
- A TM folyamatának felülvizsgálata hogyan történik?

VII. Questions about PM and family influence/Kérdések a TM és a family influence-ről CSAK CSALÁDTAG ESETÉN

- Hogyan történik a családtagok esetén a családi vállalatban végzett munka, teljesítmény értékelése, megítélése? Hogyan szoktak erről beszélgetni cégen belül vagy kívül?
- Milyen nehézségei voltak és/vagy előnyei vannak ennek?
- Változott-e ez a gyakorlat, miért és mennyiben?
- Mi a teljesítmény? Milyen teljesítményről beszélhetünk egy családi cégben? Családi munkavállaló és nem családi munkavállaló esetén?
- Mit tekintettek teljesítménynek a családban? Van, ami ebből a család cégben is megjelenik érték szintjén? Illetve, ami a teljesítménymenedzsment rendszerben is megjelenik?
- Egy nem családtag munkavállaló és vezető mit gondolhat erről?
- Van-e vagy érezhetnek-e a munkavállalók bármilyen megkülönböztetést családtag és nem családtag munkavállalók között, illetve a családtagok között a TM vagy más HR menedzsment gyakorlat/szabály kapcsán?
- A formalizáltságra, informalizáltságra, kommunikáció: Családi teljesítményértékelések mennyire írásosak vagy inkább szóbeli megállapodásra vonatkoznak? Ezeket hogyan kommunikálják, ismertetik-e másokkal?
- Milyen hatással van a TM-re, hogy a szervezet családi cég? Ha a cég nem családi vállalat lenne, más lenne-e a teljesítménymenedzsment és értékelés és annak megítélése? És, ha igen, miért és miben lenne más? Ha, nem miért nem?
- Az emberek irányításával kapcsolatban célkitűzés, visszajelzés, értékelés milyen útravalót kapott az utód:

VIII. Szervezeti felépítés elkérni és ott a vezető jelölje be, hogy ki családtag és ki nem és kivel beszélhetek. (További interjúk kiválasztása)

4. Appendix – A general interview draft with HR

I. Questions about the Interviewee/ Kérdések az interjúalanyról:

- Milyen pozícióban dolgozik és mióta a cégnél? Hogyan került a céghez?
- Milyen végzettsége van?
- Családtag vagy nem családtag? Milyen kapcsolatban van a családdal?

II. Questions about the succession

- Mikor veszi át a HR-t az utód (utódlás előtt vagy után)? Tervez valamilyen módosítást ezzel kapcsolatban?

III. Questions about the HRM and PMS/Kérdések a HR-ről és a Teljesítménymenedzsmentről:

- Ki foglalkozik az EEM-tel a cégnél és milyen képzettséggel és tapasztalattal rendelkezik?
- Hány fő dolgozik a cégnél? Milyen a munkavállalók eloszlása (végzettség, tapasztalat, kor, nemek, támogató-termelői funkció, vezető-beosztott szerint)?
- Mekkora a fluktuáció mértéke?
- Milyen HR rendszerek vannak a cégnél? Mikor vezették be a TM rendszert és hogyan történt a TM megalkotása és bevezetése?
- Milyen célkitűzései vannak a TM rendszernek? Milyen értékeket képvisel a TM? Hogyan illeszkedik a TM a többi (HR) rendszerhez?
- Kérem, hogy mutassa be a jelenlegi TM és teljesítményértékelés folyamatát?
Segítő kérdések: Hogyan tűzik ki a célokat? Teljesítmény mérés szintje: egyén vs. csoport, javadalmazás szintje: egyén vs. csoport? Hogyan figyelik meg a magatartást? Kik az értékelők? Hogyan történik az értékelés (sztemderdek vagy egymáshoz való viszonyítás) és az értékelő beszélgetés? Kaptak-e tréninget a vezetők a teljesítmény megfigyeléssel, értékelőbeszélgetéssel kapcsolatban?
- Milyen dokumentumok támogatják a TM rendszert? Mi a szerepe a közép és felsővezetésnek a TM folyamat során?
- Mennyire érzi a TM rendszert hatékonyak a mindennapokban? (praktikusság, elfogadottság, idő, döntéstámogatás)
 - Milyen fejlesztendő területeket lát?
 - Mi az, ami Ön szerint jól működik és miért?

IV. Questions about the perceived justice and fairness

- Mennyire éli meg igazságosnak a TM-et mint vezető és mint beosztott?
- Mennyire tartja igazságosnak a TM eredményét? A beosztottak TM eredményei mennyire tükrözik a munkájukba tett erőfeszítéseket?
- Mennyire tartja igazságosnak a TM folyamatát? (elfogulatlan, konzisztens, pontos információkra alapszik, meghallgatták a véleményt) Hogyan fejtheti ki véleményüket a beosztottak a TM eljárása során? Milyen ráhatásuk van a beosztottaknak a TM folyamat során hozott döntésekre? Mennyire elfogulatlanok a folyamatok? Mennyire konzisztensek a folyamatok? Mennyire alapulnak pontos információkon? Milyen fellebbezési lehetőségük van a beosztottaknak a megszületett döntések ellen? Mik az eljárások etikai és erkölcsi normái és azt mennyire tartják be?
- Mit gondol a vezető által nyújtott információkról, kommunikációról a TM kapcsán? Hogy zajlik a TM és az értékelési folyamat kommunikációja, döntési folyamatok magyarázata hogyan történik? Ezek mikor kerülnek kommunikálásra? Mennyire veszik figyelembe az egyes egyének igényeit?
- Hogyan jellemezné beosztottakkal való viszonyát, bálásmódját vezetőként a TM kapcsán?

- Élt már meg olyant, amikor igazságtalanságot tapasztalt a TM kapcsán, mi ennek a története?
- Mennyire éli meg méltányosnak a TM-et a vállalatban mind a vezetők, mind a szervezet kapcsán? Élt már meg olyat, amikor méltánytalanság érte, mi ennek a története? Mit gondol mennyire tartják mások méltányosnak a szervezetet és a vezetőket?
- Mit gondol mennyire tartják mások igazságosnak?
- Mit gondol mennyire tartják mások méltányosnak?
- A TM folyamatának felülvizsgálata hogyan történik?
- A TM eredményeit, tanulságait milyen más menedzsment döntés kapcsán használják fel. Tudna, konkrét példát mondani?

V. Questions about PM and family influence/Kérdések a TM és a FI-ről

- Mennyire van hatással a TM-re, hogy a szervezet családi cég? Ha a cég nem családi vállalat lenne, más lenne-e a teljesítménymenedzsment és értékelés és annak megítélése? És, ha igen, miért és miben lenne más? Ha, nem miért nem?
- Mi a teljesítmény? Milyen teljesítményről beszélhetünk egy családi cégben? Családi munkavállaló és nem családi munkavállaló esetén?
- Mit tekintettek teljesítménynek a családban? Van, ami ebből a család cégben is megjelenik érték szintjén? Illetve ami a teljesítménymenedzsment rendszerben is megjelenik?
- Egy nem családtag munkavállaló és vezető mit gondolhat erről?

5. Appendix – A interview draft with line manager

- Kérem, hogy mutassa be a jelenlegi TM és teljesítményértékelés folyamatát?
- Milyen dokumentumok támogatják a TM rendszert? Segítő kérdések: Hogyan tűzik ki a célokat? Teljesítmény mérés szintje: egyén vs. csoport, javadalmazás szintje: egyén vs. csoport? Hogyan figyelik meg a magatartást? Kik az értékelők? Hogyan történik az értékelés (sztenderdek vagy egymáshoz való viszonyítás) és az értékelő beszélgetés? Kaptak-e tréninget a vezetők a teljesítmény megfigyeléssel, értékelőbeszélgetéssel kapcsolatban?
- Milyen dokumentumok támogatják a TM rendszert? Mi a szerepe Önnek a TM folyamatban?
- Mi a felső vezetés célja a TM-mel kapcsolatban? Hogyan kommunikálta a felsővezetés a TM céljait és szerepét a szervezetben? A középvezetők felé való elvárásokat?
- Mi a célja a TM-nek az Ön számára?
- Mennyire segíti a TM ezeket a célokat a megvalósulását?
- Mennyire érzi a TM rendszert hatékonyak a mindennapokban? (praktikusság, elfogadottság, idő, döntéstámogatás)
 - Milyen fejlesztendő területeket lát?
 - Mi az, ami Ön szerint jól működik és miért?

Questions about the perceived justice and fairness

- Mennyire éli meg igazságosnak a TM-et mint vezető és mint beosztott?
 - Mennyire tartja igazságosnak a TM eredményét? A TM eredményei mennyire tükrözik a munkájába tett erőfeszítéseket?
 - Mennyire tartja igazságosnak a TM folyamatát? (elfogulatlan, konzisztens, pontos információkra alapszik, meghallgatták a véleményt) Hogyan fejtheti ki véleményüket a beosztottak a TM eljárása során? Milyen ráhatásuk a beosztottaknak a TM folyamat során hozott döntésekre? Mennyire elfogulatlanok a folyamatok? Mennyire konzisztensek a folyamatok? Mennyire alapulnak pontos információkon? Milyen fellebbezési lehetőségük van a beosztottaknak a megszületett döntések ellen? Mik az eljárások etikai és erkölcsi normái és azt mennyire tartják be?
 - Mit gondol a vezető által nyújtott információkról, kommunikációról a TM kapcsán? Hogy zajlik a TM és az értékelési folyamat kommunikációja, döntési folyamatok magyarázata hogyan történik? Ezek mikor kerülnek kommunikálásra? Mennyire veszik figyelembe az egyes egyének igényeit?
 - Hogyan jellemezné beosztottakkal való viszonyát, bálásmódját a TM kapcsán?
 - Élt már meg olyant, amikor igazságtalanságot tapasztalt a TM kapcsán, mi ennek a története?
- Mennyire éli meg méltányosnak a TM-et a vállalatban mind a vezetők, mind a szervezet kapcsán? Élt már meg olyat, amikor méltánytalanság érte, mi ennek a története? Mit gondol mennyire tartják mások méltányosnak a szervezetet és a vezetőket?
- Hogyan illeszkedik a TM a többi (HR) rendszerhez?
- A TM folyamatának felülvizsgálata hogyan történik?
- A TM eredményeit, tanulságait milyen más menedzsment döntés kapcsán használják fel. Tudna, konkrét példát mondani?
- Ha a cég nem családi vállalat lenne, más lenne-e a teljesítménymenedzsment és értékelés és annak megítélése? És, ha igen, miért és miben lenne más? Ha, nem miért nem?

6. Appendix – Coding Manual

Code #	Main code	Subcodes	Examples
1	Vision, Mission, Strategy		
2	Structure		
3	Org. Performance		
4	External Contextual Factors		
5	Internal Contextual Factors		
5.1		Business activity and technology	
5.2		Culture	
6	Family involvement		
6.1		Introduction of family, genogram	
6.2		Components of Family involvement	
6.3		Essence of Family involvement	
6.4		Performance and family values	
7	Succession		
8	HR systems		
9	PM system and processes		
9.1		Process and elements	
9.2		Implementation	
9.3		Communication	
9.4		Line managers	
9.5		Family employees	
9.6		Non-family manual employees	
9.7		Fairness/Justice	
9.8			
10	The presence of family affects planned performance management	The presence of family affects planned performance management in terms of the level of bifurcation and formalization.	
10.1		Bifurcation bias	
10.1.1			No bifurcation bias, but expectations are higher toward successors
10.1.2			Bifurcation bias favoring a family member who is identified as the "extended hand" of the owner
10.1.3			From bifurcation bias favoring non-family employees to no bifurcation bias
10.1.4			No bifurcation bias
10.1.5			Bifurcation toward family employees
10.2		Formalization	
10.2.1			Formal systems introduced gradually and only where it is necessary.
10.2.2			Informal processes still play a major role in the management structure
10.2.3			CEO as a driving force in formalization
10.2.4			Introducing formal system by relying on informal processes to incorporate main principles (e.g., credibility, efficiency).
10.2.5			Formalized performance management practices for successors
10.3		Personal Relationship	
10.3.1			Importance of personal relationship is incorporated in the system

Code nr.	Main code	Subcodes	Examples
11	The effect of family influence on actual PM practice	The presence of family influences the actual performance management practice through line-managers' implementation, leading to more efficient informal PM practices.	
11.1		Implementation	
11.1.1			Family CEO leading the change and implementation
11.1.2			Family HR manager perceived as family member rather than HR
11.1.3			Family CEO setting a good example or not
11.1.4			Shortcomings of family manager's personal management skills
11.2		Communication	
11.2		Goal alignment	
11.2.1			Sending confusing messages
11.2.2			Creating a common position on performance standards and evaluation
11.3		Informal processes	
11.3.1			Presence of family manager, predecessor informally in evaluation, design, development
11.3.2			Owners contact performance reviews together as family
11.4		Organizational cultures	
11.4.1			Organizational culture based on personal relationships replaces formal systems
12	The effect of family influence on perceived/experienced PM practice	The presence of family influences the experienced/perceived performance management practice through its communication by top and line-managers that leads to more efficient informal PM practices.	
12.1		Ownership approach	
12.1.1			Setting an example of hard-working work ethic.
12.2		Personal Relationship	
12.2.1			Management by walking around and participate in trainings and employee programs
12.2.2			Participating in goal setting, forming expectations and their communications.
12.3		Imprinting family values in culture	
13	The effect of family influence on the outcome of PM practice	The presence of family influences the possible outcome of perceived justice of performance management through coordination, such as defining organizational structure (a division of tasks, scope of authority, types of coordination, and configuration).	
13.1		Formalization	
13.1.1			Changing governmental structure
13.1.2			Appointing non-family CFO
13.2		Review of the PM system	
13.2.1			Respond immediately and effectively to dissatisfaction with the system
13.2.2			Planning process is not revised because of the maximalism of the controlling family
13.2.3			Incorporating experiences and suggestions of employees
13.3		Promotion/demotion	
13.3.1			Non-family employee with ownership approach are promoted
13.3.2			Family underperformers are appointed to positions with less responsibility and authority
13.4		Evaluation	
13.4.1			Loyalty as an evaluation aspect

Code nr.	Main code	Subcodes	Examples
14	The effect of family Influence on Perceived justice of PM	Family Influence has a direct and indirect effect on the perceived justice of Performance Management.	
14.1		Familial altruism / Parental altruism	
14.2		Fredo effect	
14.3		Nepotism (reciprocal, entitlement)	
14.4		Self-control	
14.5		The ability of differentiating between familial and organizational roles	
15	The impact of family business system on the family system	A family business system has an impact on the family system as a consequence of family employees' and managers' perception of fairness of the performance management and appraisal processes.	
15.1		Formalization to eliminate conflicts	
15.1.1			Lack of formalization leads to conflicts
15.1.2			Conflict in assessing family firms' performance led to changing the management structure and the positions of family members in a group level
15.1.3			Succession related company goals and tasks are also formulated (substitution in case of the daughter having children) during the development and career goal setting of the formal performance evaluation
15.2		Perceived unfairness leads to career move	
15.2.1			Perceived unfairness under the supervision of a non-family manager leads to career move of family member
15.3		Informal evaluation of the capability of successor to continue the business (SUCCESSION)	
15.3.1			Evaluation by the parents based on feedbacks from external partners through informal processes
15.4		Transfer of core values and people management skills (SUCCESSION)	
15.4.1			Carrying out evaluation of non-family managers together as family
15.4.2			Striving for consensus and affirming and representing the same family values
15.4.3			Physical closeness helps to set an example and mentoring
16	Cognitive processing of participants		
16.1			Non-family manager's personality, experience, and trust in the family may affect the perceived justice of his/her family subordinates
16.2			Non-family employee's personality, experience, and trust may affect how they perceive the family HR manager as a family member or a professional
17	External contextual factors of PM		
17.1		Pandemic	
17.1.1			Introduction of the performance management system with a proper communication and training is delayed
17.1.2			Manual workers received a salary increase in compliance with the law, salary increases of the management were delayed due to COVID.
17.2		Labour market	
17.2.1			Lack of workers
17.2.2			Market pressure for salary raise
17.3		Institutional environment	
17.3.1			Industry 4.0
17.4		Management studies	
17.4.1			Management studies foster preconception about family businesses
18	Internal contextual factors of PM		
18.1		Different level of technology (the requirements for the workforce are different)	
18.2		Different organizational cultures	
18.3		Different labor market situations cause inequalities between sites in different regions	
18.4		Company has grown drastically within a short period of time	

7. Appendix – Questionnaire

As the respondents has received Hungarian questionnaires, the Appendix is also in Hungarian

Kedves Munkatársunk!

Bizonyára az Ön számára is fontos, hogy teljesítményének értékelése igazságos és méltányos legyen. A mint felelős munkáltató is elkötelezett a teljesítményértékelési folyamatainak fejlesztésére. Ezért úgy döntött, hogy részt vesz egy kutatásban, amely a vállalat teljesítményértékelési folyamatait vizsgálja. Ennek kapcsán egy kérdőív kitöltésére kérjük Önt annak érdekében, hogy minél jobban megismerhessük munkatársaink véleményét a vállalat jelenlegi teljesítményértékelési folyamatával kapcsolatban.

Kérjük, az alábbi útmutató figyelmes elolvasása után, a leírásoknak megfelelően töltse ki a kérdőívet.

Hasznos tudnivalók:

- **A felmérés teljes mértékben névtelen. Kérjük, sehol se tüntesse fel nevét a kérdőíven!** Az adatok felvételét és elemzését Vajda Éva, a Budapesti Corvinus Egyetem kutatója végzi, aki nem gyűjt személyes adatokat, a véleményeket nem osztja meg senkivel, kizárólag összesítve elemzi a beérkezett információkat. A kitöltött kérdőíveket az üzletágvezetők zárt dobozban/borítékban gyűjtik be és juttatják el a HR-en keresztül a kutatónak, aki ezt követően feldolgozza a válaszokat.
- **Kérjük, hogy a kérdőívet őszintén és nyíltan, a valós véleményének és tapasztalatainak megfelelően töltse ki,** hiszen ezzel szolgálja a teljesítményértékelési folyamat fejlődését. Törekedjen arra, hogy egy-egy konkrét esemény, tapasztalat súlyát megfelelő mértékben vegye figyelembe, például az értékelés független legyen a jelenlegi hangulattól.

Köszönjük, hogy véleményével hozzájárul a kutatáshoz!

I.1 Kérjük, válassza ki, melyik szervezeti egységben dolgozik! (Jelölje X-szel)

Az alábbi adatokra feltétlenül szükségünk van a minél pontosabb fejlesztésekhez.

- | | | | |
|--------------------------|-------|--------------------------|-------|
| <input type="checkbox"/> | | <input type="checkbox"/> | |
| <input type="checkbox"/> | | <input type="checkbox"/> | |
| <input type="checkbox"/> | | <input type="checkbox"/> | |

Kérjük, értékelje az alábbi állítást aszerint, hogy mennyire ért egyet vele! (Jelölje X-szel) 1 - Egyáltalán nem értek egyet, 2 - Kevésbé értek egyet, 3 - Nem tudom eldönteni, 4 - Többnyire egyetértek, 5 - Teljes mértékben egyetértek	1 - Egyáltalán nem értek egyet	2 – Kevésbé értek egyet	3 – Nem tudom eldönteni	4 - Többnyire egyetértek	5 - Teljes mértékben egyetértek
I.2 A vállalat, amelynél dolgozom családi vállalat.	0	0	0	0	0

I. Kérjük, válaszoljon az alábbi kérdéscsoportokra, amelyek a vállalatánál lévő teljesítményértékelési rendszerre vonatkoznak. (Válaszait jelölje X-szel)

II.1. Az alábbi kérdések azokra a **teljesítményértékelési folyamatokra** vonatkoznak, amelyeket a

Kérjük, válaszoljon az alábbi kérdésekre! (Válaszait jelölje X-szel) 1 - Rendkívül kis mértékben, 2 - Kis mértékben, 3 - Mérsékelten, 4 – Nagymértékben, 5 - Rendkívül nagymértékben	1 - Rendkívül kis mértékben	2 Kis mértékben	3 – Mérsékelten	4 – Nagymértékben	5 - Rendkívül nagymértékben
II.1.1 Mennyire fejezheti ki a véleményét az értékelés során?	0	0	0	0	0
II.1.2 Mennyire befolyásolhatja a teljesítményértékelés során hozott döntéseket?	0	0	0	0	0
II.1.3 Mennyire alkalmazzák ezeket a folyamatokat következetesen?	0	0	0	0	0
II.1.4 Mennyire elfogulatlanok ezek a folyamatok?	0	0	0	0	0
II.1.5 Mennyire alapulnak ezek a folyamatok pontos információkon?	0	0	0	0	0
II.1.6 Mennyire tud fellebbezni a folyamatok során hozott döntések kapcsán?	0	0	0	0	0
II.1.7 Mennyire tartják be ezek a folyamatok az etikai és erkölcsi normákat?	0	0	0	0	0

felettese alkalmaz, amikor az Ön munkáját értékeli.

II.2. Az alábbi kérdések a felettesétől kapott **teljesítményértékelési eredményekre** vonatkoznak.

Kérjük, válaszoljon az alábbi kérdésekre! (Válaszait jelölje X-szel) 1 - Rendkívül kis mértékben, 2 - Kis mértékben, 3 - Mérsékelten, 4 – Nagymértékben, 5 - Rendkívül nagymértékben	1 - Rendkívül kis mértékben	2 - Kis mértékben	3 - Mérsékelten	4 – Nagymértékben	5 - Rendkívül nagymértékben
II.2.1 Milyen mértékben tükrözik az eredmények a munkájába tett erőfeszítéseket?	0	0	0	0	0
II.2.2 Milyen mértékben felelnek meg az eredmények az Ön által végzett munkának?	0	0	0	0	0
II.2.3 Mennyire tükrözik ezek az eredmények, hogy mivel járult hozzá a munkájához?	0	0	0	0	0
II.2.4 Mennyire indokoltak ezek az értékelési eredmények az adott teljesítménye alapján?	0	0	0	0	0

II.3. Az alábbi kérdések a **vezető bánásmódjára** vonatkoznak a teljesítményértékelés során.

Kérjük, válaszoljon az alábbi kérdésekre! (Válaszait jelölje X-szel) 1 - Rendkívül kis mértékben, 2 - Kis mértékben, 3 - Mérsékelt, 4 – Nagymértékben, 5 - Rendkívül nagymértékben	1 - Rendkívül kis mértékben	2 - Kis mértékben	3 - Mérsékelt	4 – Nagymértékben	5 - Rendkívül nagymértékben
II.3.1 Mennyire bánik Önnel udvariasan?	0	0	0	0	0
II.3.2 Mennyire bánik Önnel méltósággal?	0	0	0	0	0
II.3.3 Mennyire bánik Önnel tisztelettel?	0	0	0	0	0
II.3.4 Mennyire tartózkodik a nem odavaló megjegyzésektől vagy észrevételektől?	0	0	0	0	0

II.4. Az alábbi állítások a vezető által nyújtott információkra, tájékoztatásra vonatkoznak a teljesítményértékelés során.

Kérjük, válaszoljon az alábbi kérdésekre! (Válaszait jelölje X-szel) 1 - Rendkívül kis mértékben, 2 - Kis mértékben, 3 - Mérsékelt, 4 – Nagymértékben, 5 - Rendkívül nagymértékben	1 - Rendkívül kis mértékben	2 - Kis mértékben	3 - Mérsékelt	4 – Nagymértékben	5 - Rendkívül nagymértékben
II.4.1 Mennyire őszinte, amikor kommunikál Önnel?	0	0	0	0	0
II.4.2 Mennyire magyarázza el alaposan a döntéshozatali eljárásokat?	0	0	0	0	0
II.4.3 Mennyire észszerűek az eljárásokkal kapcsolatos magyarázatai?	0	0	0	0	0
II.4.4 Mennyire tájékoztat időben a részletekről?	0	0	0	0	0
II.4.5 Mennyire szabja a tájékoztatást az egyéni igényeknek megfelelően?	0	0	0	0	0

II.5. Az alábbi kérdések a vállalatnál tapasztalt teljesítményértékelés méltányosságára vonatkoznak?

Kérjük, értékelje az alábbi állításokat aszerint, hogy mennyire ért egyet velük! (Jelölje X-szel) 1 - Egyáltalán nem értek egyet, 2 - Nem értek egyet, 3 - Inkább nem értek egyet, 4 - Egyet is értek meg nem is, 5 - Inkább egyetértek, 6 – Egyetértek, 7 - Teljes mértékben egyetértek	1 - Egyáltalán nem értek egyet	2 - Nem értek egyet	3 - Inkább nem értek egyet	4 - Egyet is értek meg nem is	5 - Inkább egyetértek	6 - Egyetértek	7 - Teljes mértékben egyetértek
II.5.1 Összességében a szervezet méltányosan bánt velem a legutóbbi teljesítményértékelés során.	0	0	0	0	0	0	0

II.5.2 Általánosságban elmondhatom, hogy korábbi teljesítményértékelésem során számíthattam arra, hogy ez a szervezet méltányos.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.5.3 Általánosságban elmondhatom, hogy az a bánásmód, amelyet itt kaptam a legutóbbi teljesítményértékelésem során, méltányos volt.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.5.4 Általában ebben a szervezetben a dolgok működése nem méltányos a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.5.5 Többnyire ez a szervezet méltányosan bánik az alkalmazottjaival a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.5.6 Az itt dolgozó emberek többsége azt mondaná, hogy gyakran bánnak velük méltánytalanul a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

II.6. Az alábbi kérdések a felettese magatartására vonatkoznak a teljesítményértékelés során.

Kérjük, értékelje az alábbi állításokat aszerint, hogy mennyire ért egyet velük! (Jelölje X-szel)	1 - Egyáltalán nem értek egyet	2 - Nem értek egyet	3 - Inkább nem értek egyet	4 - Egyet is értek meg nem is	5 - Inkább egyetértek	6 - Egyetértek	7 - Teljes mértékben egyetértek
1 - Egyáltalán nem értek egyet, 2 - Nem értek egyet, 3 - Inkább nem értek egyet, 4 - Egyet is értek meg nem is, 5 - Inkább egyetértek, 6 – Egyetértek, 7 - Teljes mértékben egyetértek							
II.6.1 A felettese méltányosan jár el a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.6.2 A felettese olyan dolgokat tesz, amelyek méltányosak a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.6.3 A felettese úgy viselkedik, mint ahogy egy tisztességes ember tenné a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.6.4 A felettese méltánytalanul jár el a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.6.5 A felettese olyan dolgokat tesz, amelyek méltánytalanok a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II.6.6 A felettese úgy viselkedik, mint ahogy egy tisztességtelen ember tenné a teljesítményértékelés során.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Előfordult-e, hogy Ön azt élte meg, hogy rendkívül méltányosan bántak Önnel a munkája, illetve teljesítményértékelése során a vállalatnál? Mi ennek a rövid története? (A VÁLASZ NEM KÖTELEZŐ)

.....

Előfordult-e, hogy Ön méltánytalanságot tapasztalt a saját munkája, illetve teljesítményértékelése során a vállalatnál? Mi ennek a rövid története? (A VÁLASZ NEM KÖTELEZŐ)

.....

II. Az alábbi kérdések segítenek az eredmények elemzésekor abban, hogy minél pontosabb képet kapjunk munkatársaink véleményéről. Ezáltal

testreszabottabb fejlesztési lépéseket tehesünk. Az adatokat csak összevontan elemezzük.

III.1 Kérjük, jelölje be az életkorát! (Jelölje X-szel)¹

- 25 éves vagy fiatalabb
- 26 – 35 éves
- 36 – 45 éves
- 46 – 55 éves
- 56 éves vagy idősebb

III.2 Kérjük, jelölje be a nemét! (Jelölje X-szel)

- Férfi
- Nő

III.3 Kérjük, adja meg legmagasabb iskolai végzettségét! (Jelölje X-szel)

- Kevesebb, mint 8 általános
- Általános iskola 8 osztály
- Szakiskola, szakmunkásképző
- Középiskola (érettségivel)
- Főiskola, egyetem

III.4 Milyen beosztásban dolgozik? (Jelölje X-szel)

- Beosztott
- Vezető

III.5 Kérjük, válassza ki, hogy hány éve dolgozik a-nél! (Jelölje X-szel)

- Kevesebb, mint 1 év
- 1-2 év
- 3-5 év
- 6-10 év
- 11-15 év
- Több, mint 15 év

III.6 Kérjük, válassza ki, hogy hány éves munkatapasztalata van összességében? (Jelölje X-szel)

- Kevesebb, mint 1 év
- 1-2 év
- 3-5 év
- 6-10 év
- 11-15 év
- Több, mint 15 év

Köszönjük válaszait! Kérjük, a kérdőívet adja le a zárt dobozban/borítékban.

¹ III.1 question was taken out at Company “B” in order to preserve anonymity.

8. Appendix – Tables in SSPS

Table 15 - Values of mean, skewness, and kurtosis in case of all employees

		Statistics						
		Procedural justice	Distributional justice	Informational justice	Interpersonal justice	Overall fairness organization	Overall fairness supervisor	Perceived justice
N	Valid	288	287	288	287	288	288	289
	Missing	1	2	1	2	1	1	0
Mean		3,2888	3,6908	3,9939	3,8680	5,4262	5,8247	3,7076
Median		3,2857	3,7500	4,0000	4,0000	5,6667	6,0000	3,8357
Mode		3,00	4,00	5,00	4,00	6,00	6,00	4,00
Std. Deviation		0,79384	0,84285	0,90547	0,83751	1,08590	1,01776	0,69684
Variance		0,630	0,710	0,820	0,701	1,179	1,036	0,486
Skewness	All employees	-0,163	-0,575	-0,831	-0,655	-0,500	-0,658	-0,610
Std. Error of Skewness		0,144	0,144	0,144	0,144	0,144	0,144	0,143
Kurtosis		0,144	0,430	0,399	0,187	-0,733	-0,759	0,215
Std. Error of Kurtosis		0,286	0,287	0,286	0,287	0,286	0,286	0,286

Table 16 - Values of mean, skewness, and kurtosis in case of both managers and subordinates

			Statistics						
			Procedural justice	Distributional justice	Informational justice	Interpersonal justice	Overall fairness organization	Overall fairness supervisor	Perceived justice
D.4 Job position									
subordinate	N	Valid	228	228	229	227	228	228	229
		Missing	1	1	0	2	1	1	0
	Mean		3,2359	3,6689	3,9563	3,8604	5,3775	5,7712	3,6810
	Median		3,143	3,750	4,000	4,000	5,667	6,000	3,768
	Mode		3,00	4,00	5,00	4,00	6,00	6,00	4,00
	Std. Deviation		0,82047	0,88347	0,92109	0,84357	1,12586	1,04167	0,71367
	Variance		0,673	0,781	0,848	0,712	1,268	1,085	0,509
	Skewness		-0,077	-0,584	-0,763	-0,647	-0,424	-0,555	-0,557
	Std. Error of Skewness		0,161	0,161	0,161	0,162	0,161	0,161	0,161
	Kurtosis		0,081	0,320	0,238	0,283	-0,875	-0,946	0,162
	Std. Error of Kurtosis		0,321	0,321	0,320	0,322	0,321	0,321	0,320
manager	N	Valid	52	52	52	52	52	52	52
		Missing	0	0	0	0	0	0	0
	Mean		3,5714	3,8125	4,2740	3,9731	5,7051	6,1314	3,9078
	Median		3,571	4,000	4,375	4,000	6,000	6,167	3,990
	Mode		3,57 ^a	4,00	5,00	4,00 ^a	6,00	7,00	3,93 ^a
	Std. Deviation		0,63005	0,65656	0,64218	0,76597	0,82487	0,83909	0,52944
	Variance		0,397	0,431	0,412	0,587	0,680	0,704	0,280
	Skewness		-0,451	-0,263	-0,392	-0,718	-0,752	-1,319	-0,589
	Std. Error of Skewness		0,330	0,330	0,330	0,330	0,330	0,330	0,330
	Kurtosis		1,045	-0,119	-0,997	0,196	0,468	1,619	0,397
	Std. Error of Kurtosis		0,650	0,650	0,650	0,650	0,650	0,650	0,650

a. Multiple modes exist. The smallest value is shown

Table 17 - Descriptives (H1)

Descriptives								
I.2 The company I work for is a family business.								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Subordinate	224	3,81	1,156	0,077	3,66	3,96	1	5
Manager	52	4,44	0,850	0,118	4,21	4,68	1	5
Total	276	3,93	1,131	0,068	3,80	4,07	1	5

Table 18 - Test of Homogeneity of Variances (H1)

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
I.2 The company I work for is a family business.	Based on Mean	5,165	1	274	0,024
	Based on Median	5,817	1	274	0,017
	Based on Median and with adjusted df	5,817	1	273,245	0,017
	Based on trimmed mean	4,236	1	274	0,041

Table 19 - ANOVA (H1)

ANOVA					
I.2 The company I work for is a family business.					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	16,740	1	16,740	13,694	0,000
Within Groups	334,952	274	1,222		
Total	351,692	275			

Table 20 - Robust Test of Equality of Means (H1)

Robust Tests of Equality of Means				
I.2 The company I work for is a family business.				
	Statistic ^a	df1	df2	Sig.
Welch	19,978	1	100,033	0,000
Brown-Forsythe	19,978	1	100,033	0,000

a. Asymptotically F distributed.

Table 21 - Descriptives (H2)

Descriptives									
		N	Mean	Std. Deviation	Std. Error	for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Procedural justice	subordinate	228	3,2359	0,82047	0,05434	3,1288	3,3429	1,00	5,00
	manager	52	3,5714	0,63005	0,08737	3,3960	3,7468	1,57	4,86
	Total	280	3,2982	0,79835	0,04771	3,2043	3,3921	1,00	5,00
Distributional justice	subordinate	228	3,6689	0,88347	0,05851	3,5536	3,7842	1,00	5,00
	manager	52	3,8125	0,65656	0,09105	3,6297	3,9953	2,25	5,00
	Total	280	3,6955	0,84675	0,05060	3,5959	3,7951	1,00	5,00
Informational justice	subordinate	229	3,9563	0,92109	0,06087	3,8364	4,0763	1,00	5,00
	manager	52	4,2740	0,64218	0,08905	4,0953	4,4528	3,00	5,00
	Total	281	4,0151	0,88388	0,05273	3,9113	4,1189	1,00	5,00
Interpersonal justice	subordinate	227	3,8604	0,84357	0,05599	3,7501	3,9708	1,00	5,00
	manager	52	3,9731	0,76597	0,10622	3,7598	4,1863	1,80	5,00
	Total	279	3,8814	0,82950	0,04966	3,7837	3,9792	1,00	5,00
Overall fairness organization	subordinate	228	5,3775	1,12586	0,07456	5,2306	5,5244	2,50	7,00
	manager	52	5,7051	0,82487	0,11439	5,4755	5,9348	3,33	7,00
	Total	280	5,4383	1,08258	0,06470	5,3110	5,5657	2,50	7,00
Overall fairness supervisor	subordinate	228	5,7712	1,04167	0,06899	5,6353	5,9071	3,50	7,00
	manager	52	6,1314	0,83909	0,11636	5,8978	6,3650	3,50	7,00
	Total	280	5,8381	1,01550	0,06069	5,7186	5,9576	3,50	7,00
Perceived justice	subordinate	229	3,6810	0,71367	0,04716	3,5881	3,7739	1,23	5,00
	manager	52	3,9078	0,52944	0,07342	3,7604	4,0552	2,41	4,93
	Total	281	3,7230	0,68817	0,04105	3,6422	3,8038	1,23	5,00

Table 22 - Test of Homogeneity of Variances (H2)

Test of Homogeneity of Variances					
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		Levene Statistic	df1	df2	Sig.
Procedural justice	Based on Mean	5,009	1	278	0,026
	Based on Median	4,557	1	278	0,034
	Based on Median and with adjusted df	4,557	1	271,214	0,034
	Based on trimmed mean	4,871	1	278	0,028
Distributinal justice	Based on Mean	6,115	1	278	0,014
	Based on Median	6,805	1	278	0,010
	Based on Median and with adjusted df	6,805	1	275,849	0,010
	Based on trimmed mean	5,530	1	278	0,019
Informational justice	Based on Mean	4,337	1	279	0,038
	Based on Median	3,553	1	279	0,060
	Based on Median and with adjusted df	3,553	1	254,628	0,061
	Based on trimmed mean	3,813	1	279	0,052
Interpersonal justice	Based on Mean	0,819	1	277	0,366
	Based on Median	0,473	1	277	0,492
	Based on Median and with adjusted df	0,473	1	274,003	0,492
	Based on trimmed mean	0,761	1	277	0,384
Overall fairness organization	Based on Mean	14,402	1	278	0,000
	Based on Median	11,238	1	278	0,001
	Based on Median and with adjusted df	11,238	1	277,371	0,001
	Based on trimmed mean	14,231	1	278	0,000
Overall fairness supervisor	Based on Mean	10,846	1	278	0,001
	Based on Median	5,544	1	278	0,019
	Based on Median and with adjusted df	5,544	1	275,772	0,019
	Based on trimmed mean	9,728	1	278	0,002
Perceived justice	Based on Mean	7,458	1	279	0,007
	Based on Median	7,137	1	279	0,008
	Based on Median and with adjusted df	7,137	1	273,407	0,008
	Based on trimmed mean	7,408	1	279	0,007

Table 23 - ANOVA (H2)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Procedural justice	Between Groups	4,768	1	4,768	7,660	0,006
	Within Groups	173,054	278	0,622		
	Total	177,822	279			
Distributinal justice	Between Groups	0,874	1	0,874	1,219	0,270
	Within Groups	199,164	278	0,716		
	Total	200,037	279			
Informational justice	Between Groups	4,277	1	4,277	5,564	0,019
	Within Groups	214,471	279	0,769		
	Total	218,748	280			
Interpersonal justice	Between Groups	0,537	1	0,537	0,780	0,378
	Within Groups	190,747	277	0,689		
	Total	191,284	278			
Overall fairness organization	Between Groups	4,545	1	4,545	3,919	0,049
	Within Groups	322,439	278	1,160		
	Total	326,984	279			
Overall fairness supervisor	Between Groups	5,494	1	5,494	5,412	0,021
	Within Groups	282,222	278	1,015		
	Total	287,716	279			
Perceived justice	Between Groups	2,179	1	2,179	4,661	0,032
	Within Groups	130,423	279	0,467		
	Total	132,602	280			

Table 24 - Robust Test of Equality of Means (H2)

		Statistic ^a	df1	df2	Sig.
Procedural justice	Welch	10,638	1	94,890	0,002
	Brown-Forsythe	10,638	1	94,890	0,002
Distributinal justice	Welch	1,761	1	98,063	0,188
	Brown-Forsythe	1,761	1	98,063	0,188
Informational justice	Welch	8,675	1	104,670	0,004
	Brown-Forsythe	8,675	1	104,670	0,004
Interpersonal justice	Welch	0,880	1	81,851	0,351
	Brown-Forsythe	0,880	1	81,851	0,351
Overall fairness organization	Welch	5,758	1	99,509	0,018
	Brown-Forsythe	5,758	1	99,509	0,018
Overall fairness supervisor	Welch	7,091	1	90,637	0,009
	Brown-Forsythe	7,091	1	90,637	0,009
Perceived justice	Welch	6,752	1	98,035	0,011
	Brown-Forsythe	6,752	1	98,035	0,011

a. Asymptotically F distributed.

Table 25 - Descriptives (H3 and H4)

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Procedural justice	rather not a family comp.	60	2,9071	0,71105	0,09180	2,7235	3,0908	1,29	5,00
	rahter a family company	149	3,4363	0,78585	0,06438	3,3091	3,5635	1,00	5,00
	Total	209	3,2844	0,80026	0,05536	3,1753	3,3935	1,00	5,00
Distributinal justice	rather not a family comp.	59	3,2881	0,89877	0,11701	3,0539	3,5224	1,00	5,00
	rahter a family company	149	3,8736	0,73589	0,06029	3,7545	3,9927	1,00	5,00
	Total	208	3,7075	0,82674	0,05732	3,5945	3,8205	1,00	5,00
Informational justice	rather not a family comp.	60	3,6458	0,95369	0,12312	3,3995	3,8922	1,25	5,00
	rahter a family company	149	4,1359	0,82634	0,06770	4,0021	4,2697	1,00	5,00
	Total	209	3,9952	0,89064	0,06161	3,8738	4,1167	1,00	5,00
Interpersonal justice	rather not a family comp.	60	3,6208	0,81777	0,10557	3,4096	3,8321	1,40	5,00
	rahter a family company	147	3,9991	0,80803	0,06664	3,8674	4,1308	1,00	5,00
	Total	207	3,8895	0,82696	0,05748	3,7761	4,0028	1,00	5,00
Overall fairness organization	rather not a family comp.	60	4,8528	1,10856	0,14311	4,5664	5,1391	3,00	7,00
	rahter a family company	148	5,6615	0,97181	0,07988	5,5036	5,8194	3,33	7,00
	Total	208	5,4282	1,07509	0,07454	5,2812	5,5752	3,00	7,00
Overall fairness supervisor	rather not a family comp.	59	5,4040	1,20392	0,15674	5,0902	5,7177	3,83	7,00
	rahter a family company	149	5,9575	0,91084	0,07462	5,8100	6,1050	3,50	7,00
	Total	208	5,8005	1,03046	0,07145	5,6596	5,9413	3,50	7,00
Perceived justice	rather not a family comp.	60	3,3682	0,68734	0,08873	3,1907	3,5458	1,27	4,93
	rahter a family company	149	3,8618	0,62661	0,05133	3,7604	3,9633	2,04	5,00
	Total	209	3,7201	0,68080	0,04709	3,6273	3,8130	1,27	5,00

a. D.4 Job position = subordinate

Table 26 - Test of Homogeneity of Variances (H3 and H4)

		Levene Statistic	df1	df2	Sig.
Procedural justice	Based on Mean	2,887	1	207	0,091
	Based on Median	2,972	1	207	0,086
	Based on Median and with adjusted df	2,972	1	205,959	0,086
	Based on trimmed mean	2,893	1	207	0,090
Distributinal justice	Based on Mean	3,910	1	206	0,049

	Based on Median	2,990	1	206	0,085
	Based on Median and with adjusted df	2,990	1	196,736	0,085
	Based on trimmed mean	4,196	1	206	0,042
Informational justice	Based on Mean	4,521	1	207	0,035
	Based on Median	4,534	1	207	0,034
	Based on Median and with adjusted df	4,534	1	205,747	0,034
	Based on trimmed mean	4,321	1	207	0,039
Interpersonal justice	Based on Mean	1,520	1	205	0,219
	Based on Median	1,459	1	205	0,229
	Based on Median and with adjusted df	1,459	1	198,040	0,229
	Based on trimmed mean	1,316	1	205	0,253
Overall fairness organization	Based on Mean	4,408	1	206	0,037
	Based on Median	4,300	1	206	0,039
	Based on Median and with adjusted df	4,300	1	199,775	0,039
	Based on trimmed mean	4,554	1	206	0,034
Overall fairness supervisor	Based on Mean	21,462	1	206	0,000
	Based on Median	21,489	1	206	0,000
	Based on Median and with adjusted df	21,489	1	201,445	0,000
	Based on trimmed mean	21,829	1	206	0,000
Perceived justice	Based on Mean	2,396	1	207	0,123
	Based on Median	2,112	1	207	0,148
	Based on Median and with adjusted df	2,112	1	206,918	0,148
	Based on trimmed mean	2,555	1	207	0,111

a. D.4 Job position = subordinate

Table 27 - ANOVA (H3 and H4)

ANOVA^a

		Sum of Squares	df	Mean Square	F	Sig.
Procedural justice	Between Groups	11,978	1	11,978	20,453	0,000
	Within Groups	121,228	207	0,586		
	Total	133,207	208			
Distributional justice	Between Groups	14,487	1	14,487	23,499	0,000
	Within Groups	126,999	206	0,616		
	Total	141,486	207			
Informational justice	Between Groups	10,273	1	10,273	13,745	0,000
	Within Groups	154,722	207	0,747		
	Total	164,995	208			
Interpersonal justice	Between Groups	6,096	1	6,096	9,273	0,003
	Within Groups	134,781	205	0,657		
	Total	140,877	206			
Overall fairness organization	Between Groups	27,921	1	27,921	27,217	0,000
	Within Groups	211,333	206	1,026		
	Total	239,255	207			
Overall fairness supervisor	Between Groups	12,950	1	12,950	12,897	0,000
	Within Groups	206,853	206	1,004		
	Total	219,803	207			
Perceived justice	Between Groups	10,422	1	10,422	25,090	0,000
	Within Groups	85,984	207	0,415		
	Total	96,407	208			

a. D.4 Job position = subordinate

Table 28 - Robust Test of Equality of Means (H3 and H4)

Robust Tests of Equality of Means^a

		Statistic ^b	df1	df2	Sig.
Procedural justice	Welch	22,276	1	119,764	0,000
	Brown-Forsythe	22,276	1	119,764	0,000
Distributive justice	Welch	19,784	1	90,384	0,000
	Brown-Forsythe	19,784	1	90,384	0,000
Informational justice	Welch	12,166	1	96,549	0,001
	Brown-Forsythe	12,166	1	96,549	0,001
Interpersonal justice	Welch	9,179	1	108,433	0,003
	Brown-Forsythe	9,179	1	108,433	0,003
Overall fairness organization	Welch	24,346	1	97,685	0,000
	Brown-Forsythe	24,346	1	97,685	0,000
Overall fairness supervisor	Welch	10,168	1	85,549	0,002
	Brown-Forsythe	10,168	1	85,549	0,002
Perceived justice	Welch	23,185	1	100,608	0,000
	Brown-Forsythe	23,185	1	100,608	0,000

a. D.4 Job position = subordinate

b. Asymptotically F distributed.

Table 29 - Descriptives (H5 and H6)

Descriptives^a

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Procedural justice	rather not a family comp.	6	3,3571	0,62434	0,25488	2,7019	4,0123	2,86	4,57
	rather a family company	45	3,6063	0,63754	0,09504	3,4148	3,7979	1,57	4,86
	Total	51	3,5770	0,63501	0,08892	3,3984	3,7556	1,57	4,86
Distributive justice	rather not a family company	6	3,6250	0,87678	0,35795	2,7049	4,5451	2,75	5,00
	rather a family comp.	45	3,8278	0,63475	0,09462	3,6371	4,0185	2,25	5,00
	Total	51	3,8039	0,66014	0,09244	3,6183	3,9896	2,25	5,00
Informational justice	rather not a family company	6	4,5833	0,56273	0,22973	3,9928	5,1739	3,50	5,00
	rather a family company	45	4,2278	0,65240	0,09725	4,0318	4,4238	3,00	5,00
	Total	51	4,2696	0,64777	0,09071	4,0874	4,4518	3,00	5,00
Interpersonal justice	rather not a family company	6	3,6667	0,95219	0,38873	2,6674	4,6659	2,40	4,80
	rather a family company	45	4,0178	0,74933	0,11170	3,7927	4,2429	1,80	5,00
	Total	51	3,9765	0,77320	0,10827	3,7590	4,1939	1,80	5,00
Overall fairness organization	rather not a family company	6	5,2778	0,68853	0,28109	4,5552	6,0003	4,33	6,00
	rather a family company	45	5,7556	0,83982	0,12519	5,5032	6,0079	3,33	7,00
	Total	51	5,6993	0,83201	0,11650	5,4653	5,9334	3,33	7,00
Overall fairness supervisor	rather not a family company	6	5,9167	0,88663	0,36196	4,9862	6,8471	4,50	7,00
	rather a family company	45	6,1444	0,84208	0,12553	5,8915	6,3974	3,50	7,00
	Total	51	6,1176	0,84149	0,11783	5,8810	6,3543	3,50	7,00
Perceived justice	rather not a family company	6	3,8080	0,59754	0,24394	3,1810	4,4351	3,23	4,69
	rather a family company	45	3,9199	0,53175	0,07927	3,7602	4,0797	2,41	4,93
	Total	51	3,9068	0,53466	0,07487	3,7564	4,0571	2,41	4,93

a. D.4 Job position = manager

Table 30 - Test of Homogeneity of Variances (H5 and H6)

		Levene Statistic	df1	df2	Sig.
Procedural justice	Based on Mean	0,048	1	49	0,828
	Based on Median	0,324	1	49	0,572
	Based on Median and with adjusted df	0,324	1	47,699	0,572
	Based on trimmed mean	0,090	1	49	0,766
Distributinal justice	Based on Mean	1,690	1	49	0,200
	Based on Median	1,677	1	49	0,201
	Based on Median and with adjusted df	1,677	1	48,590	0,201
	Based on trimmed mean	1,697	1	49	0,199
Informational justice	Based on Mean	1,603	1	49	0,211
	Based on Median	1,427	1	49	0,238
	Based on Median and with adjusted df	1,427	1	48,670	0,238
	Based on trimmed mean	1,871	1	49	0,178
Interpersonal justice	Based on Mean	1,233	1	49	0,272
	Based on Median	1,220	1	49	0,275
	Based on Median and with adjusted df	1,220	1	48,646	0,275
	Based on trimmed mean	1,215	1	49	0,276
Overall fairness organization	Based on Mean	0,070	1	49	0,792
	Based on Median	0,137	1	49	0,713
	Based on Median and with adjusted df	0,137	1	48,626	0,713
	Based on trimmed mean	0,057	1	49	0,812
Overall fairness supervisor	Based on Mean	0,094	1	49	0,761
	Based on Median	0,043	1	49	0,837
	Based on Median and with adjusted df	0,043	1	48,969	0,837
	Based on trimmed mean	0,072	1	49	0,790
Perceived justice	Based on Mean	0,525	1	49	0,472
	Based on Median	0,537	1	49	0,467
	Based on Median and with adjusted df	0,537	1	47,156	0,467
	Based on trimmed mean	0,543	1	49	0,465

a. D.4 Job position = manager

Table 31 - ANOVA (H5 and H6)

		Sum of Squares	df	Mean Square	F	Sig.
Procedural justice	Between Groups	0,329	1	0,329	0,812	0,372
	Within Groups	19,833	49	0,405		
	Total	20,162	50			
Distributinal justice	Between Groups	0,218	1	0,218	0,494	0,485
	Within Groups	21,572	49	0,440		
	Total	21,789	50			
Informational justice	Between Groups	0,669	1	0,669	1,615	0,210
	Within Groups	20,311	49	0,415		
	Total	20,980	50			
Interpersonal justice	Between Groups	0,653	1	0,653	1,094	0,301
	Within Groups	29,239	49	0,597		
	Total	29,892	50			
Overall fairness organization	Between Groups	1,208	1	1,208	1,773	0,189
	Within Groups	33,404	49	0,682		
	Total	34,612	50			
Overall fairness supervisor	Between Groups	0,275	1	0,275	0,383	0,539
	Within Groups	35,131	49	0,717		
	Total	35,405	50			
Perceived justice	Between Groups	0,066	1	0,066	0,228	0,635
	Within Groups	14,227	49	0,290		
	Total	14,293	50			

a. D.4 Job position = manager

Table 32 - Robust Test of Equality of Means (H5 and H6)

Robust Tests of Equality of Means^a					
		Statistic ^b	df1	df2	Sig.
Procedural justice	Welch	0,839	1	6,473	0,392
	Brown-Forsythe	0,839	1	6,473	0,392
Distributinal justice	Welch	0,300	1	5,720	0,605
	Brown-Forsythe	0,300	1	5,720	0,605
Informational justice	Welch	2,031	1	6,927	0,198
	Brown-Forsythe	2,031	1	6,927	0,198
Interpersonal justice	Welch	0,754	1	5,855	0,419
	Brown-Forsythe	0,754	1	5,855	0,419
Overall fairness organization	Welch	2,411	1	7,148	0,164
	Brown-Forsythe	2,411	1	7,148	0,164
Overall fairness supervisor	Welch	0,353	1	6,265	0,573
	Brown-Forsythe	0,353	1	6,265	0,573
Perceived justice	Welch	0,190	1	6,104	0,678
	Brown-Forsythe	0,190	1	6,104	0,678

a. D.4 Job position = manager

b. Asymptotically F distributed.

9. Appendix – Tables of Financial Performance

Table 33 - Financial Performance of Family Business “A”

HUF mn	2018	2019	2020	CAGR 18-20
P&L key figures				
Sales	26 020	27 393	25 136	-2%
EBIT	890	848	823	-4%
Net Profit	712	700	481	-18%
EBITDA margin %	3,4%	3,1%	3,3%	
Net Profit margin %	2,7%	2,6%	1,9%	
BS key figures				
Current assets	7 120	8 677	8 058	6%
Non-current assets	12 692	13 798	13 898	5%
Total Assets	19 835	23 041	21 979	5%
Total Debt	2 695	2 071	2 246	-9%
Total Equity	13 508	14 062	14 539	4%
Debt to Equity	0,20	0,15	0,15	
Debt to EBIT	3,03	2,44	2,73	

Table 34 - Financial Performance of Family Business “B”

HUF mn	2018	2019	2020	CAGR 18-20
P&L key figures				
Sales	11 395	14 371	16 316	20%
EBITDA	1 418	2 277	2 877	42%
Net Profit	969	1 495	1 772	35%
EBITDA margin %	12,4%	15,8%	17,6%	
Net Profit margin %	8,5%	10,4%	10,9%	
BS key figures				
Current assets	9 009	9 843	12 257	17%
Non-current assets	7 859	10 252	12 119	24%
Total Assets	16 875	20 144	24 393	20%
Total Debt	5 859	6 057	7 693	15%
Total Equity	9 448	11 445	12 926	17%
Debt to Equity	0,62	0,53	0,60	
Debt to EBITDA	4,13	2,66	2,67	

Table 35 - Financial Performance of Family Business “C”

HUF mn	2018	2019	2020	CAGR 18-20
P&L key figures				
Sales	9 129	10 448	11 708	13%
EBITDA	228	627	812	89%
Net Profit	(141)	203	61	
EBITDA margin %	2,5%	6,0%	6,9%	
Net Profit margin %	-1,5%	1,9%	0,5%	
BS key figures				
Current assets	3 832	3 448	3 683	-2%
Non-current assets	2 690	2 633	3 088	7%
Total Assets	6 826	6 191	7 005	1%
Total Debt	3 013	2 309	2 480	-9%
Total Equity	1 816	1 308	1 333	-14%
Debt to Equity	1,66	1,77	1,86	
Debt to EBITDA	13,22	3,68	3,06	

Table 36 - Financial Performance of Family Business “D”

HUF mn	2018	2019	2020	CAGR 18-20
P&L key figures				
Sales	7 780	9 783	13 184	30%
EBITDA	1 664	1 551	2 329	18%
Net Profit	1 056	829	1 633	24%
EBITDA margin %	21,4%	15,9%	17,7%	
Net Profit margin %	13,6%	8,5%	12,4%	
BS key figures				
Current assets	4 580	5 765	5 991	14%
Non-current assets	4 323	3 857	6 992	27%
Total Assets	8 915	9 637	13 034	21%
Total Debt	325	280	1 431	110%
Total Equity	7 194	7 903	9 418	14%
Debt to Equity	0,05	0,04	0,15	
Debt to EBITDA	0,20	0,18	0,61	

8. References

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