

SUMMARY OF THESIS
for

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

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1. Research antecedents and rationale of the topic

1.1 Relevance of the topic

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, 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 (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

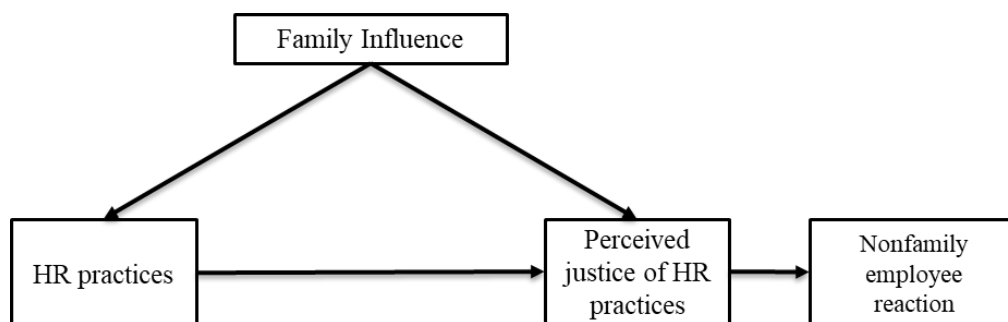
improve employees' performance, that is why justice perception as one of the employees' reactions to PMS is a crucial criterion for effectiveness, and it is linked to the success of the system (Ikramullah et al., 2016). However, professionalization may create two distinct groups of employees, such as family and non-family 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.

1.2 Theoretical background

The theoretical background of the thesis is threefold. Firstly, I describe the field of Family Business research. Secondly, I overview the theoretical background of HRM and its Performance Management subsystem. Thirdly, I describe the concept of Organizational Justice and the perceived justice of Performance Management.

In my dissertation, I chose the following central studies introducing leading models that the theoretical framework is based on. First, the model of Barnett and Kellermanns (2006) proposed the relationships among family influence, HR practices, and justice perceptions among non-family employees at family businesses (see in Figure 1). Barnett and Kellermanns (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 1 - HR effects on the perceived justice at family businesses

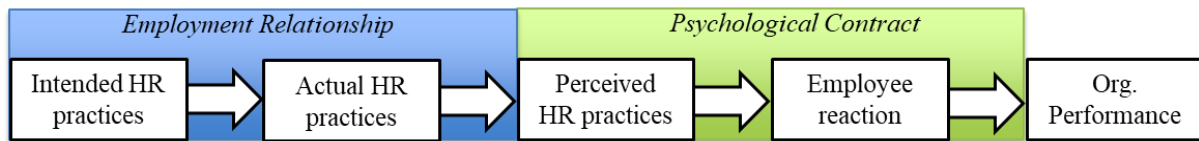


Source: (Barnett & Kellermanns, 2006, p. 841)

Second, 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 2). 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 2 - Simplified Process Model of SHRM



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

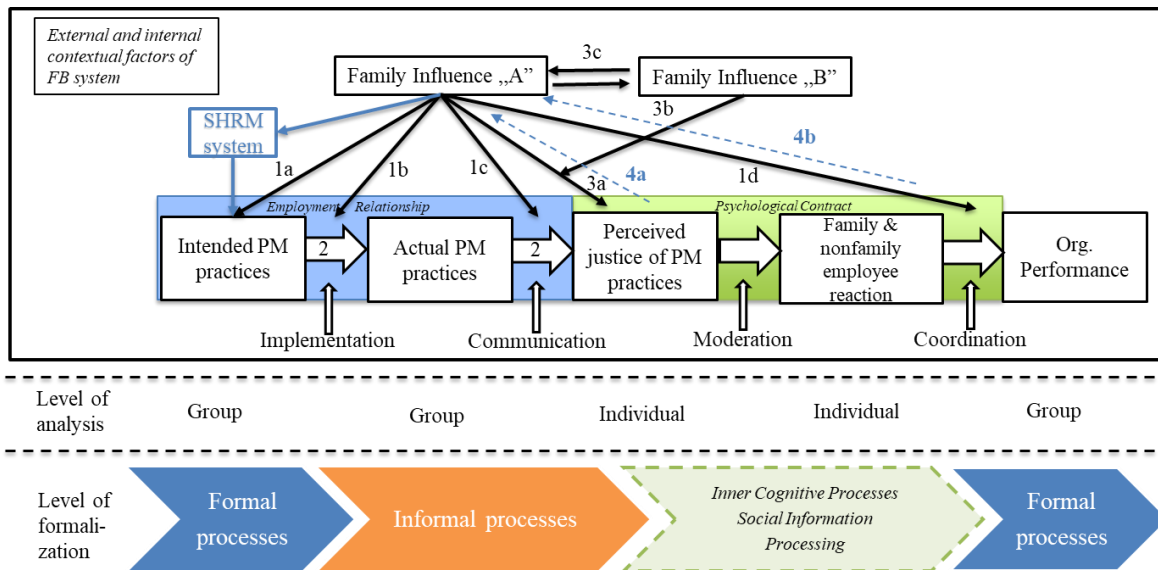
Third, Erdogan's model (2002) emphasizes the antecedents and consequences of formal PA practices, including distributional, procedural, and interactional justice. However, Erdogan only focuses on formal processes of performance appraisal practice, and it does not discuss informal processes or other PM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

Moreover, beyond the unexplored theoretical parts of the three models mentioned above, the general assumptions of these models also need empirical validation.

After I completed the systematic literature review (Fink, 2010), I described my conceptual framework stemmed from the adoption of two partly modified models: the process model of PM (Farndale et al., 2011; Nishii & Wright, 2008) and 2), and 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).

My conceptual framework can be seen in Figure 3. 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 non-family 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 non-family businesses by focusing on the performance management process.

Figure 3 - Conceptual Framework



1.3 Research question

The research question is formulated as an interplay of several non-independent factors of the models represented above. Since there are many possible interpretations in determining the cause and effect relations of these factors, I conducted extended literature research and combined the insight gained 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?

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 PM practice of family and non-family 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 non-family 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 non-family managers).

2. Methodology

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 content of the dissertation and the nature of my research questions by asking "how" pointed unequivocally at 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 conditions (Gerring, 2006; Yin, 2009).

The chosen type of case study research is a Multiple Embedded Case Study, which means that I considered and investigated not just one, but four cases. 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.

2.1 Sampling

In qualitative sampling, purposive sampling was applied. Purposeful sampling 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. 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.

The object of observation is family business. The goal was to observe how the Performance Management and Appraisal Systems process of four family businesses in Hungary operate. I inspected family businesses where formal performance management processes are implemented, such as written rules and procedures. Formal PM shows the conscious management of the HR function, which can work as a filter criterion. Since the existence of the PMS 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 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 since I assumed that the succession process could also foster professionalization in the field of HR at family firms. 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.

2.2 Qualitative research

In *qualitative research*, I conducted 18 *semi-structured interviews* with ten family managers and eight non-family managers between 29 October 2020 and 12 April 2021. In each case, I conducted interviews with the predecessor and successors, family or non-family 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. To validate or extend my conceptual framework, I applied the direct content analysis approach, in which I began 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 followed the set of systematic and transparent procedures for processing data in eight steps. (Hsieh & Shannon 2005 in Zhang & Wildemuth, 2005)

As a means of triangulation, I applied *document analysis*, *direct observation* and examined *archival records* as well to combine with interview analysis.

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

Direct observations can be varied 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)

Archival records can include annual public reports, and financial statements, homepages of the companies, published books and articles about the family and family businesses. (Yin, 2009)

2.3 Quantitative research

Quantitative research has three aims in this study. The first main goal is to measure the actual level of perceived justice and fairness at each company's employee and middle management levels. The second main goal is to triangulate and bring an additional perspective to the data obtained from qualitative research. 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.

The content of my questionnaire mainly relies on validated's questionnaires for justice and fairness based on the studies of Colquitt (2001), Colquitt et al. (2015), and Ambrose and Schminke (2009). Furthermore, to

measure to what extent the respondent considers the company as a family business, I also 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).

2.4 Overview of the research design

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).

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 1, there is an overview of the methods, source of evidence, method of analysis, subject, and the targeted aspects of validity tests, which I applied.

Table 1 - Overview of the research design

PROPOSAL	METHOD	SOURCE OF EVIDENCE	METHOD OF ANALYSIS	SUBJECT	TARGETED ASPECTS OF VALIDITY
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	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 External validity (addressing rival explanations) Reliability
	Direct observations	Observe directly what is happening during the interviews and the interactions with participants		Goals of PM, Planned PM system; family values and FB values; Family influence, succession	
	Document analysis	Documentation, policies, procedures, and formal communication letters	Content analysis	Planned PM system and implementation	
Proposition 1b	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) Internal validity External validity (addressing rival explanations) Reliability
	Direct observations	Observing directly what is happening during the interviews and the interactions with participants		Perceived fairness and effectiveness of actual PM; family values and FB values; Family influence	
	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	
	Document analysis	Documentation, policies, procedures, and formal communication letters	Content analysis	Actual PM system and implementation	
Proposition 1c	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) Internal validity External validity (addressing rival explanations) Reliability
	Direct observations	Observe directly what is happening during the interviews and the interactions with participants		Experienced, perceived PM system; family values and FB values; Family influence, cognitive processing of participants	
	Archival records	Books and articles about the family and the family members		Family values and FB values; Family influence, cognitive processing of participants	
Proposition 1d	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) Internal validity External validity (addressing rival explanations) Reliability
	Direct observations	Observe directly what is happening during the interviews and the interactions with participants			
	Archival records	Annual financial statements and annual reports, Company homepages, books, and online articles	Financial analysis	Business Performance Indicators	
Proposition 2	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 External 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	Observing directly what is happening during the 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	

PROPOSAL	METHOD	SOURCE OF EVIDENCE	METHOD OF ANALYSIS	SUBJECT	TARGETED ASPECTS OF VALIDITY
Proposition 3. Family Influence has an effect on the perceived justice of Performance Management					
Proposition 3a	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	Observe directly what is happening during the 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	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	Observe directly what is happening during the interviews and the interactions with participants		Family influence, perceived justice and perceived justice of PM	
Proposition 3c	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	Observing directly what is happening during the 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	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	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	Observing 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.	
	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	

3. Thesis findings

3.1 Conclusion of the Four Cases

Proposition 1a: The effect of Family influence on Performance Management

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 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 PM 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.

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.

Proposition 1b: The effect of family influence on actual PM practice

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 PA reviews with each top management team member, which fosters goal alignments and 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 PM, 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.

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

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 values are imprinted to the given organizational culture. In the controlling family, hard-working 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.

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

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 may be an important evaluation aspect in PM, as those who have worked there in the past know the strategic goals better, and thus, they are more committed to them.

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 PM 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 1d. 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.

Proposition 2: The effect of PM practice on perceived justice

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 in performance management decisions. 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. As family leaders, they can assure 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 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.

Proposition 3: The effect of family Influence on Perceived justice of PM

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 non-family 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.

Proposition 4: The impact of the family business system on the family system

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.

3.2 Conclusion of the conceptual framework

Overall, the main findings of my research are the following. First, I suggested a conceptual framework with four main propositions 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.

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 Model 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. At the same time, I would add that presence of family influences the planned PM through incorporating personal relationships into the system design. Moreover, the presence of family may influence experienced/perceived PM processes through personal relationships, ownership approach, and family values.

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.

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. For example, regarding participants' cognitive processing, I found that 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.

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