

EFFECTS OF HUMAN RESOURCE PRACTICES ON FAMILY FIRMS SOCIAL PERFORMANCE

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Abstract

The aim of our research is to analyse social performance (through turnover rate) of large family owned business in relation to their human resource practices. We made multiple regressions on a sample of 60 large firms. Our global model, considering large family owned business and non-family owned business, shows that part-time contracts increase turnover significantly, while training reduces it. We observe the same relation when we analyse family owned business specifically where we also note that to belong to the trade sector influences turnover significantly. When we consider non-family owned business on the other hand, then variables like pay, training, firm's age and services or building sectors tend to affect turnover significantly.

Keywords: family firm, family owned business, human resource management, social performance, turnover

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Introduction

Representing more than half of the gross domestic product of all the market economies (KENYON-ROUVINIEZ and WARD 2004) and assuring in Western Europe between 45 and 65% of gross national product and jobs (ALLOUCHE and AMANN 2000), family firms are a very important actor in most countries economy. Because it is the most common type of firm in the private sector (MORCK and YEUNG 2003), we can understand why academic literature is interested in it.

We have to admit that family firms have specific characteristics which arouse interest. While wanting to perpetuate their activities from generation to generation, family firms also seem to show specific agility and flexibility in comparison with non-family firms. Family character also lets assume a stronger emotional closeness between staff members and their leader. Such companies are said to be more preferred by consumers, to give more opportunities to women, to develop better social policies and to respect much more traditions than non-family firms (ALLOUCHE and AMANN 2000).

Knowing these numerous facets, family firms literature have experienced, according to ARREGLE et al. (2004), a spectacular development with interest in succession, performance and governance issues.

In this paper we want to focus on human resource practices (HR practices) used in family

firms. We want to determine which impact such practices can have on family firms social performance in comparison with social performance of non-family firms.

Although researchers do not seem to take an interest in such human issues (CARLSON et al. 2006, CHUA et al. 2003) we think that we have to give more attention to it. Indeed we believe that family heritage holding and development across generations depends on family firms ability to involve and retain their staff. Maintaining skilled staff is the second priority of family firms according to PRICEWATERHOUSECOOPERS (2007) study.

The specific family mind can undoubtedly influence staff attachment for its firm. But owing to the temporal skyline in which they act, we think that family firms tend perhaps to invest more in their staff in order to develop a real policy of involvement and retention of their human resources. We have to note that while there is some research studying HR practices in family firms (CARLSON et al. 2006, DE KOK et al. 2006, ALLOUCHE and AMANN 1995, ...), few studies specifically seem to have analyzed the impact of such practices on family firms performance (HARRIS et al. 2004).

The major goal of our paper is thus to analyze and to explain the social performance of family firms by determining which HR practices could influence it, and by comparing these practices impact with non-family firms.

1. Social performance approach

If there are a lot of studies that examine the relations between specific HR practices or a set of HR practices on performance taken all round (BOSELIE et al. 2005, GUEST et al. 2003, HILTROP 1996, HUSELID 1995, ...), few of these studies analyze specifically the firm's social performance. We note that when performance doesn't principally focus on financial measures (GUEST et al. 2003, ROGERS and WRIGHT 1998,...), it is analyzed more generally. In that case there are various levels in performance analysis that can be combined and that can influence each other: a social level through turnover or absenteeism analysis; an organizational level through productivity or innovation analysis; an economic level through profitability, financial performance or sales growth analysis...

In this paper we want to focus on social performance. What HOUT and IMBS (2004) tend to say about that concept seems to be very interesting knowing that we want to study HR practices in the family firms context. For these authors social dimension that is represented by staff in organization can be valued by the state of mind (people willingness to be involved in their work. This concept also refers to commitment or adhesion notions), by the cohesion (people ability to work together and to appreciate each other), by conflict level,... All these various concepts appear more precisely in the functioning description of family firms. Such firms have to rely on a committed and motivated staff in which there are few strained relationships if they want to perpetuate their activities. MARTORY and CROZET (1988) also see the firm social effectiveness as its capacity to increase the satisfaction level of its staff and to improve social climate and work conditions.

In line with these authors, we want to link to social performance all the impacts that can have firm social policy on staff behaviors. If social performance represents the firm actions that directly influence its staff in order to stimulate it, to increase its involvement level and/or its adhesion level to organization, it can then be illustrated by the following equation (BOSELIE et al. 2005, p.72): Social performance = f (staff ability, motivation, opportunity to participate).

It seems interesting to define precisely the measures that could help to better analyze the social performance concept in family firm. According to FABI et al. (2004), ROGERS and WRIGHT (1998) or LIOUVILLE and BAYAD (1995), social performance can generally be measured by indicators such as turnover, absenteeism or staff satisfaction that directly refer to HR practices.

Due to the data we can have access to make the empirical part of this paper, we will estimate social performance through the turnover that seems to be a measure reflecting staff state of mind towards their firm. This indicator can also show the firm willingness to stabilize its staff. We think that a staff

that is involved, motivated and satisfied with its job conditions should not intend to leave the firm in which it works. We can also think that the firm that wants to maintain its staff should introduce some practices leading to decrease staff departures. Such characteristics should plead for a low turnover rate.

Now we have defined the way we will analyze social performance in family firms, let's see what literature tends to say about HR practices that can impact such performance and, more precisely, that can lead to a low turnover rate.

2. HR practices and turnover

Several authors (ARTHUR 1994, HUSELID 1995, BECKER and GERHART 1996, HILTROP 1996,1999, etc.) have tried to analyze the relations between firms performance and the introduction of specific HR practices called « *high performance* » or « *high commitment practices* ». We are interested in such practices because they tend to reinforce staff knowledge. Moreover such practices can improve the way staff uses its knowledge thanks to specific incitements. Such practices could then directly affect firms social performance by emphasizing the role that each member staff can play in organization and by strengthening its motivation and adherence to the firm.

In that way through the introduction of « *High Performance Work Practices* » (including in particular specific recruitment and selection process, incentive compensation systems, training programs and staff involvement practices), HUSELID (1995) tends to conclude that such practices influence negatively and in a significant way turnover but affect positively productivity and financial performance.

PFEFFER (1998) notes that the most effective firms are marked by flexible work systems, by high compensation systems related to organizational performance, by decentralization of decision-making, by training policies, by promotion and career plans, and the like. Effective firms would also tend to reduce status distinctions and to act on a longer-term perspective.

Analyzing which HR practices can contribute to retain talents in firms, HILTROP (1999) notes that practices such as trainings, teamworking, decentralization of decision-making, etc., are among the more efficacy HR practices. On the other hand job security doesn't appear in the "best" practices list. However BATT et al. (2002) think that turnover should be lower among employees that see their job as secure. More recently GUEST et al. (2003) as well as BATT (2002) note that firms using more frequently trainings, employment security or higher compensation levels tend to reduce their turnover.

Similar studies have been developed in SMO context. For example LIOUVILLE and BAYAD (1995) note that firms that develop a proactive vision of HRM and that want to favour their staff will have

more probabilities to attain higher organizational performances. On the opposite, firms that do not count on their social dimension would experience more social problems that could affect their economic outcomes. FABI et al. (2004) have also observed that practices such as strategic or economic information disclosures, financial participation, job descriptions or participation to decision-making tend to characterize the most performing firms concerning staff retention.

We have to highlight that there is not always unanimity between these various authors to what regards HR practices that could be considered as « high commitment practices ». For example ARTHUR (1994) and HUSELID (1995) do not have the same opinion concerning the idea to integrate variable pay or internal promotion systems in high commitment practices. Despite these divergent opinions all the studies that we have consulted help us distinguish HR practices that can be used in order to stimulate or to mobilize staff in organizations.

Now that we know which HR practices could affect firms social performance, and especially turnover, let's see if human resource management presents some specificities in the context of family firms.

3. HR practices in family firms

Due to specific values that family firms can develop to create a real family feeling (HARRIS et al. (2004) speak about a strong culture of trust, loyalty and inclusion), we can question about the eventual specificity of HRM policy and HR practices of family firms in comparison with non family firms. According to FREDY-PLANCHOT (2002), the aim of family firms is develop staff loyalty and to maintain it in time. In this way, family firms tend to protect themselves from outside: with time employees that are not in the family circle will be seen as members of the family if they are loyal and devoted (in CABY et HIRIGOYEN 2002, p.196). We could think that HRM policy in family firms should be more paternalistic and more protective. Such policy should also be marked by the willingness to treat staff fairly and to ensure of the trustworthiness and loyalty of staff in the long term. Such a social consciousness could lead family members to make more sacrifices and losses with the intention of saving their company. The commitment and loyalty of people towards the family firm could favor the development of a particular atmosphere that reinforces the membership feeling and highlights the common goals of all the staff (FLAMENT 2006, p.31). According to FLAMENT (2006, p.27), the family firms willingness to maintain jobs can lead to staff happiness. Because they listen more to their employees such firms could favour social advance.

Concerning specific HR practices CASCIO (1995) notes a more flexible approach of HRM in family firms. ASTRACHAN and KOLENKO (1994)

observe some particular HR practices in family firms such as the frequent and regular use of formal procedures of contact with employees, specific pay policies or written job descriptions.

In France ALLOUCHE and AMANN study (1995) demonstrate that, in comparison with non-family firms, family firms have older staff and maintain managerial staff and engineers on a longer period (the authors speak of a « tacit membership contract » between staff and family firms). Family firms CEOs have on average a monthly wage that is lower than the wage of non family firms CEOs. We also have to note that a family firm gives higher rewards outside the wage and uses less part-time jobs because it can deteriorate staff trustworthiness. It seems that family firms use more temporary staff in order to face productivity excess and in order not to disturb permanent staff. We also know that family firms tend to give a lot of attention to staff training and devote a more important part of their payroll to abilities valorization.

With regard to HR practices, CARLSON et al. (2006) analyzed 168 family SMOs and noted that performing family firms give more attention to training, performance appraisals, recruitment, competitive compensation levels, etc., in comparison with non-performing family firms. The study of PRICEWATERHOUSECOOPERS (2007) in 1.454 family SMOs through 28 countries shows moreover that family firms give priority to staff training and that an annual bonus is generally used as a means to reward managers.

Besides these studies that highlight the specificity of HR practices in family firms, an other trend of literature tend to have doubts about such specificity in family firms. According to HAYTON (2006), family firms tend to invest less in training, to train less staff members and to use HR practices that are less complex in comparison with non family firms HR practices. DE KOK et al. (2006) tend to evoke REID and ADAMS (2001) by highlighting the absence of professional HR practices such as appraisal systems or merit-based pay in family firms. That could be explained by the social interactions between family members that could make use of informal procedures easier. The risk to lose flexibility in the relations with the staff by using more professional HR practices could be another argument to account for the lack of such professional practices in family firms (DE KOK 2006). HARRIS et al. (2004) also note that family firms resort to less practices leading to staff involvement. For example, these authors observe a lack of communication and consultation techniques (absence of unions, staff don't receive information about their company financial situation, no regular meetings with the staff,...) These authors note for example a lack of communication and consultation techniques (absence of unions, staff has no information related to their company financial situation, no regular meetings with staff,...). For HARRIS et al. (2004), family firms culture can exert

a strong influence because such culture could be based on the fact that such firms don't need such specific involvement practices. We have to highlight that these trends arguing for non-specific HRM in family firms derive from studies realized in SMOs (20 and 100 people). The size of such organizations is perhaps too restricted to lead to the development of professional HR practices.

4. Problem statement

The aim of our research is to establish if specific HR practices influence social performance of large family firms (more than 100 workers). We will also compare social performance of Belgian family firms to the social performance of their non-family counterparts. In order to do that, we consider that turnover can constitute a good measure of social performance because it can give an idea of social climate and staff movements within the firm. We would therefore like to analyze if specific HR practices of family firms can influence turnover or if the family character can influence the social performance of the firm.

If some authors explained the lack of professional HR practices in family firms by a specific culture and a paternalistic kind of management, we think that in large firms, the paternalistic aspect or feeling to belong to the same family is perhaps less present because of the firm size and its more complex functioning. In comparison with family SME's, we then consider that large family firms tend perhaps to use more particular HR practices or to develop more formalized practices in order to make sure of their staff fidelity and of their commitment on length. Let's note that these large firms are more likely, in comparison with SME'S, to have a HR department¹⁵ that can develop more specific HR practices. We also have to remind that these goals related to HRM tend to be particularly important in family firms because of their willingness to transmit their heritage from generation to generation. A high turnover in these firms could reflect a lack of fidelity of workers in relation to their organization or the opposite (the firm does not show its willingness to support its staff). The working climate among the staying collaborators could then degrade.

5. Methodology

5.1. The sample

As justified above, we have worked on a sample of large Belgian family firms, presenting a statistical representativeness on the large Belgian firms population. Each year these firms have to draw up a social balance sheet which includes information

relating to social performance, while it is facultative for SME'S. In order to do that, we used all the firms in the obligation to publish their Financial Report and Financial Statements in complete schema to the National Bank of Belgium. Financial and public firms were taken away, which give 477 large firms. To avoid reciprocal holdings, all large firms which are detained in more than 20% by other firms present in the sample were taken away (24 firms). Then, we kept only firms with concentrated shareholding (more than 50% of shareholding), what represents 402 firms. Finally, firms with concentrated foreign shareholding (282) were taken away, in order to keep only large Belgian firms (with a concentrated Belgian shareholding), which represents 120 firms.

So as to keep a sample presenting a statistical representativeness of the large Belgian firms population, we used a random sampling stratified according to family character and to activity sector. Indeed, according to VICINDO DATA MARKETING¹⁶ (2002), 52% of the 100.000 larger Belgian firms are family firms. We have then taken the same proportion for the sample. We kept an equal distribution of activity sector between family firms and non-family firms. To this end, we regrouped the different activity sectors in four meta-sectors: services, trade, industries and construction. We checked family character on the basis of criteria defined and mentioned below. We gathered information through various interviews with CEOs. Information was then checked on Internet websites and in the annual financial reports of these firms.

On the basis of this criteria (Belgian firms, activity sector and information availability), our sample includes 74 large Belgians firms, among which half (37) are family owned business.

5.2. Criteria for familial character

We considered that the firm is a family firm when the family holds at least 50% of capital.

This family firm definition is rather limited in comparison with the most recent definitions of family firm (COLOT 2007, ANDERSON and REEB 2003, FLOREN 2002), who use other criteria such as a decisive influence on firm strategy and succession, or the majority of the board of directors made up of family members. But this definition of family firm presents the advantage to use a clear and a measurable criterion, in opposition to qualitative definitions which are more subjective and arbitrary. Consequently, we will use the term « family owned business (FOB) » rather than « family firm » (MILLER and LE-BRETON MILLER, 2008).

Our sample includes finally 74 big Belgians firms, among which half (37) is family owned business.

¹⁵ According to MAHE DE BOISLANDELLE (1998), many firms begin to take formally charge of HR function when they have between 150 and 250 staff members

¹⁶ In Institut des Experts Comptables, www.iec-iab.be, « Zoom sur les entreprises familiales », 19/05/05.

5.3. Model

The model to be tested is the following:

$$\text{Turnover}_t = \beta_0 + \beta_1 \text{Compensations}_{t-1} + \beta_2 \text{Flexibility}_{t-1} + \beta_3 \text{Wellness}_{t-1} + \beta_4 \text{Job security}_{t-1} + \beta_5 \text{Training}_{t-1} + \beta_6 \text{FAM} + x_j \beta_7 + v_j$$

where Tu_t is the turnover of the firm at time t , $\text{Compensations}_{t-1}$ are either the salaries and fringe benefits (k€) per worker¹⁷ or the Bonus (k€) per worker, at time $t-1$, Flexibility is the ratio between the average number of part-time staff and the sum of the average number of part-time staff and the average number of full-time staff, Wellness is the number of worked hours by workers, Job security is the ratio between the permanent contracts and the sum of the fixed-term contracts and the permanent contracts, Training is either the training rate or the training costs per worker, FAM is a dummy variable equal to one if the firm is a family owned business and zero otherwise, x_j includes firm characteristics (the age, the total asset at time $t-1$, the ROA (Return On Assets) at time $t-1$, the value added per worker at time $t-1$ and the sectoral affiliation (3 dummies)) and v_j is the error term.

In this model, the year t is 2006, that is to say the last available year of Financial Statements of the firms. So we estimate the impact of HR practices of 2005 on the turnover of 2006, because we think that these practices have an impact but with a certain delay, given the necessary time for their implementation and for their potential effects on staff and its feeling of involvement in the firm.

We calculated the explained variable, that is to say turnover, in the following way: $\text{Turnover} = (\text{exit permanent contract in full-time equivalent} + \text{fixed-term contract in full-time equivalent}) / \text{full-time equivalent}$ ¹⁸.

The following table shows different ratios used to illustrate HR practices used in our study. To select these practices, we used studies analysing links between HR practices and firms performance (HUSELID 1995, PFEFFER 1998, HILTROP 1999, GUEST et al. 2003, etc.). The choice of these practices also depended on data that were communicated by firms. The control variables that we used are also introduced there.

5.4. Descriptive statistics

Data concerning the social balance sheet, as well as financial data, were extracted from database Belfirst¹⁹. Data missing or wrong sums in database lead us to

withdraw 14 firms, which brings back the sample to a size of 60 firms. The table 2 presents average and distance type for our variables (the number of workers is in full-time equivalent).

Our sample is finally constituted of 29 non-family owned business and 31 family owned business. The observation of the statistics of the sample shows that:

- staff turnover is lower in family owned businesses. It would confirm the results of FREDY-PLANCHOT (2002) that shows a lower staff turnover in these firms ;
- family owned businesses are smaller than their non-family counterparts: there are on average 658 workers in non-family owned businesses while only 371 workers in family owned businesses ;
- salaries and fringe benefits are on average higher, as well as the percentage of part-time, the number of worked hours, the part of trained workers and the training costs by trained workers. On the contrary, the percent of permanent contract in family owned businesses is higher than in non-family owned businesses ;
- the average age is almost identical in both types of firm. So we do not have to take into account the influence of firms life cycle ;
- The ROA of family owned businesses is higher than the ROA of non-family owned businesses.

Let's note that our findings relating to the human resource management in family owned are opposed to the results of ALLOUCHE and AMANN (1995), specially for training and for bonuses distributed to the staff. They tend rather to confirm HAYTON (2006) results according to which family owned businesses invest much less in training.

6. Results

6.1. Global model: HR practices and turnover

Table 3 reports our estimates, obtained from OLS regression, of the effect of human resource practices on social performance of family and non-family owned businesses taken together. Some variables have been dropped due to a problem of multicollinearity.

¹⁷ Workers are always expressed in full-time equivalent.

¹⁸ PC = permanent contract; FTE = full-time equivalent; FTC = fixed-term contract

¹⁹ Financial data of firms that have to publish their Financial Report and Financial Statements to the National Bank of Belgium.

Table 1. Indicators reflecting HR practices and control variables

HR Practices	Indicators used	Information
Compensations	Salaries and fringe benefits per worker = salaries and fringe benefits in full-time equivalent (k€) / full-time equivalent Bonus per worker = extra compensations (k€) / full-time equivalent	Salaries and fringe benefits are compensations, welfare costs and pensions. Extra compensations represent the non-taxable social benefits package (wedding presents, sports centres, advantages resulting from the access to a medical service, ...)
Flexibility	Part-time rate = average number of part-time staff / (average number of part-time staff + average number of full-time staff)	The goal is to determine the intensity of part-time use by firms.
Wellness	Number of worked hours by worker = Number of worked hours by workers in full-time equivalent / full-time equivalent	Number of really worked hours and paid during a year (we do not take into account overtime that is not paid, and sick leaves)
Job security	Part of permanent contracts (PC) = Full-time equivalent with permanent contracts / (full-time equivalent with fixed-term contracts + full-time equivalent with permanent contracts)	The goal is to determine the intensity of permanent contract used by firms.
Training	Training rate = Number of trained workers / FTE Training cost per trained worker = Training cost (in thousand euros)/Number of trained workers	Quantitative approach of training that can give an idea of training intensity. Qualitative approach of training that can give an idea of training quality.
FAM = a dummy variable equal to one if the firm is a family owned business and zero otherwise		
Control variables ²⁰ : - Age = Age of the firm in 2006 - Services = a dummy variable equal to one if the firm operates in the service sector and zero otherwise, with the industrial sector as reference - Trade = a dummy variable equal to one if the firm is a trade firm and zero otherwise, with the industrial sector as reference ; - Construction = a dummy variable equal to one if the firm operates in the construction sector and zero otherwise, with the industrial sector as reference ; - Asset = total of the assets of the firm (in thousands €) - ROA = measure of the rentability of the total assets (financial results of the firm) - VA/L = added value by worker in thousands € (measure of staff productivity)		

Table 2. Means and Standard Deviations (SD) of the Main Variables

Variables	Mean	SD	Mean	SD
	Non-family owned business		Family owned business	
Staff turnover	0.27	0.24	0.22	0.20
Number of workers	658.24	1703.51	370.94	298.63
salaries and fringe benefits (k€)/ Number of workers	49.39	17.53	42.87	10.72
Bonus (k€)/ Number of workers	0.23	0.33	0.22	0.39
Percent of part-time contracts	0.17	0.25	0.14	0.16
Number of worked hours / Number of workers	1607.28	202.46	1515.13	112.53
Percent of permanent contracts	0.91	0.23	0.92	0.22
Part of trained workers	0.37	0.35	0.30	0.33
Training costs / trained workers (k€)	1	1.16	0.72	0.68
Firm age	26.07	13.91	25.65	18.13
Total assets (k€)	94872.28	154912.6	45261	35565.52
ROA	5.76	7.50	7.34	7.52
Value added by worker (k€)	80	71.84	61.68	25.45
Sectoral affiliation				
Services		5		5
Trade		7		4
Construction		3		4
Industries		14		18
Total number of firms		29		31

²⁰ It would have been interesting to include other control variables such as the presence of trade unions in firms, the presence of a HR department, etc., but such information is not available in DVD-Rom Belfist from which we extracted data.

Table 3. HR practices and turnover

Dependent variable	Turnover		
	Whole sample	Non-family owned business	Family owned business
Intercept	0.02 (0.27)	0.55 ^{oo} (0.27)	-0.65 (0.57)
Flexibility	0.44** (0.13)	0.16 (0.14)	0.93** (0.29)
Salaries and fringe benefits per worker	-0.002 (0.002)	-0.005* (0.002)	0.003 (0.005)
Bonus per worker	-0.08 (0.07)	-0.16 ^{oo} (0.08)	0.04 (0.14)
Wellness	0.0002 (0.0002)	0.00004 (0.0002)	0.0005 (0.0004)
Training rate	-0.12 ^o (0.08)	-0.20* (0.08)	-0.34 ^{oo} (0.19)
Control variables			
FAM	-0.06 (0.05)		
Age	0.0003 (0.001)	-0.005* (0.002)	-0.001 (0.002)
Services	0.08 (0.08)	0.36* (0.10)	-0.02 (0.12)
Trade Sector	-0.07 (0.06)	0.02 (0.06)	-0.20 ^o (0.13)
Construction	0.05 (0.08)	0.24* (0.09)	-0.06 (0.11)
ROA	0.004 (0.003)	0.005 (0.004)	-0.0007 (0.006)
Total asset	0 (0)	0 (0)	0 (0)
Adjusted R ²	0.39	0.71	0.21
F-stat	4.08**	7.09**	1.73 ^o

Notes : **/*/oo/o indicate significance at the 1%, 5%, 10% and 15% level, respectively. Standard errors are reported between brackets.

Findings emphasize the existence of a positive and significant relationship between the use of part-time jobs, which can refer to a specific kind of flexibility, and turnover and a negative and significant relationship between the training rate and turnover.

With regard to flexibility, we observe a positive coefficient that links part-time jobs use and turnover. That means that a 1% increase of part-time contracts tends to increase turnover of the following year of 0.44%. We can link such results with ALLOUCHE and AMANN (1995) observations. These authors think that part-time use can be a risk for staff trustworthiness. Even if their study analyzes only family firms and even if our findings concern family and non family firms, we can think that such part-time contracts don't match staff waitings. Indeed if a firm proposes to its staff member such contract, there is a risk the worker leaves its company to go to another firm that would propose a permanent contract. Such reasoning is all the more likely if it concerns a young staff member who seeks a paid full-time job that helps him to take charge of his personal expenditures (house, car, etc.). By imposing part-time contracts, the firm risks of altering its ability to retain staff. In this case staff loyalty is then proportional to work duration proposed by the company. Let's however note that some staff members can want such contracts and that could lead to the opposite relation.

We also observe a significantly negative relation between training rate and turnover. An increase of training rate of 1% leads to a decrease of 0.12% of turnover the year following the training. Such findings agree with the results of ARTHUR (1994), HUSELID (1995), HILTROP (1999) or GUEST et al. (2003). By investing more and more in training, we think that the company considers its staff with a longer term vision in which staff members have a crucial role in firm functioning. Training contributes to develop staff intellect because it can renew or extend its knowledge. Such practice can be seen as a kind of reward for staff because they can develop their competences, knowledge or attitudes in order to become more performing in their work and to evolve in the company with better paid jobs or jobs with more responsibilities. In this way training leads staff to rely more on its company and can contribute to reinforce staff involvement in the firm.

We also note a negative – but non significant – relation between the family character and turnover. Such observation tends to confirm the idea of “tacit membership contract” (ALLOUCHE and AMANN (1995)) between staff and its family firm that wants to maintain its workforce for a long time (FREDY-PLANCHOT 2002).

Now we have a general idea of HR practices that affect turnover of family and non family businesses, we will subsequently compare the HR practices that

can influence turnover of family / non-family businesses.

6.2. RH practices and turnover in family owned businesses and non-family owned businesses

Results obtained from OLS regression on non-family owned businesses are presented in the third column of Table 3.

Among family owned businesses it seems that several HR practices are significantly related to turnover. When we look at compensation we note that salaries and fringe benefits and bonuses per worker tend to impact significantly and negatively turnover. Such findings agree with HUSELID (1995), BATT (2002) or GUEST et al. (2003) studies. We can easily understand that a company will be more attractive if it offers its staff higher compensation levels or more social advantages (benefit packages). Monetary incitements could then be a means to retain people in companies. According to RANDSTAD (2007) research high compensation levels seem to be the first factor that impacts the decision to work in a company. When we know that half of the Belgian people need to work for financial reasons we can understand that staff members will need to stay in companies which offer them attractive pays.

Our findings also show a negative and significant relation between training rate and turnover. As stated earlier training can be seen as a means to improve staff skills and to manage them in a longer perspective because company needs their competences and knowledge to flourish. Through training firms can then highlight the role of each staff members in its functioning and show that all employees are crucial in its development.

Firms age is another significant variable. We note that the older a company is, the lower its turnover tends to be. LACOURSIERE et al. (2002) find the same results and such a relation seems to be logic: staff is perhaps less frightened of working in a company that is older and has more experience and fame. On the contrary we can think that people will be less inclined to work in a younger firm that has still to assert itself (new markets or products development, search for new customers, etc.). Moreover, an older company could have introduced specific involvement practices that could have been reconsidered according to staff feelings about them. On the opposite a younger company only begins to formalize its HR practices (especially if its HR department is recent) and risks having not enough resources (financial or human) to introduce such involvement systems.

When we look at activity sectors, it seems that services and construction sectors are positively and significantly related to turnover. Working conditions are generally harder in such sectors (people have to work outside, their tasks are sometimes very arduous, non-standard work schedules in services sector and so on) but lead to lower wages in comparison with other

sectors. According to a study that RANDSTAD (2007) administered to 10.000 people, such sectors are not listed among the most attractive sectors.

6.3. HR practices and turnover in family owned businesses

While several HR practices are significantly related to non-family owned business turnover, only 2 HR practices are significantly linked to family owned business turnover: the use of part-time contracts that refer to flexibility and the training rate, as the fourth column of Table 3 emphasizes.

In flexibility terms we note a positive relation between part-time jobs and turnover. Indeed while part-time contracts use is 1% up, family owned businesses turnover tends to be 0.93% up the following year. If family owned businesses tend to consider each of their member staff as a family member (FREDY-PLANCHOT 2002), we can then believe that firms offering part-time jobs don't contribute to get their staff more implied in their functioning. It is all the more probable for staff member that does not need to work with such contract. As stated by ALLOUCHE and AMANN (1995), such contracts risk to alter staff commitment feeling towards their company because it partially integrates people to company life.

Training rate is also significantly and negatively related to family owned business turnover. While there is a 1 percent training rate increase, there is a 0.34 percent turnover decrease. We can explain such a relation in the same way as for global but also for non-family owned business findings. We have to emphasize that while family owned businesses tend to decrease their turnover with more intensive trainings, such companies tend to train less than non-family owned businesses as our descriptive statistics suggest.

When we look at the activity sector impact, we note that companies in trade sector tend to have a lower turnover than in other sectors. This result is somewhat bit surprising. We can possibly assume that trade sector offers more incitement policies (regular trainings, performance based pay, etc.) and faster promotion opportunities in comparison with other sectors. Such practices could then contribute to retain staff in company.

7. Conclusions and development tracks

In this paper we have wanted to analyze if large Belgian family owned businesses developed more than large Belgian non-family owned business their human resource management in order to retain staff. We have attempted to see if specific HR practices could decrease turnover by assuming that a low turnover proves the firm ability to retain its staff. According to the hypothesis of staff retention we can think that family owned business invest more in their human resource management. However, our sample

sometimes proved the opposite. Indeed if turnover is lower in a family context, we noted that family owned business have lower labour costs, give less bonuses to their staff and train less than their non-family counterparts. We could possibly link these trends to the smaller size of family owned businesses in comparison with non-family owned businesses of our sample. However, family owned businesses use more permanent contracts and less part-time workers.

We then changed the specification of the model to analyse the impact of HR practices on turnover of the year following their introduction because we thought that these practices did not influence immediately turnover. Firstly, the regression on a sample of family and non-family owned businesses reveal that only 2 HR practices significantly affect turnover. The use of part-time jobs increases turnover while training rate decreases it. We have to note that the binary variable that represents the family character is negatively but not significantly related to turnover. Such character could then contribute to lower turnover in firms. Secondly, we have tested our model on specific samples (family owned businesses / non-family owned businesses). In a non-family context several HR practices and control variables are significant. In this, we note a negative and significant relation between wages (including labor costs and fringe benefits), trainings, firm age and turnover. On the contrary there is a positive relation between turnover and services or construction companies. However, in a family context, the regression only reveals a significant and positive relation between turnover and part-time jobs and a negative relation between training rate and turnover. Let's note that trade sector affects significantly and negatively turnover.

We note that more HR practices are significantly related to turnover when they are analyzed in a non family context. Such results do not mean that family owned businesses do not care for their staff. Indeed, because of the methodology we used, we cannot measure the incentive character of HR practices in these firms. We can possibly be connected with authors like HAYTON (2006), DE KOK et al. (2006) and HARRIS et al. (2004) that dealt with the possible lack of HR professional practices in family owned businesses. Specific culture or the use of informal involvement practices in family context could explain why such firms have a lower turnover. But the smaller size of the family owned businesses of our sample, compared with non family businesses, could also account for the reasons why lower wages and less intense trainings are observed in a family context. In an analysis more focused on SME's, we should pay more attention to specific factors related to the internal context of these companies (CEO role, staff social awareness, social interactions, etc.). Such factors could perhaps offset the possible lack of specific HR practices (monetary advantages, trainings,...) that such small firms cannot introduce in comparison to larger companies.

Some improvements have to be brought to this study. Future research should rely on panel data in order to control for the non-observed characteristics of firms. In order to strengthen our findings we could also extend our sample to more companies. We also think that it would be interesting to collect more qualitative data with interviews or questionnaires. For example information about the intensity of HR practices used in firms, about staff feelings with regard to these practices, about the characteristics of family firms functioning (culture, conflicts management, etc.) should help us to better define the model to use in order to estimate turnover rate. Moreover information related to activity sector of our firms sample would be useful because we have to be cautious when we analyze the links between lower turnover and staff satisfaction. Indeed, by being distinguished through specific characteristics (kind of contracts, sector in decline with limited appointments, low wages, etc.), some activity sectors can dissuade people with specific skills from leaving their job even if these people are dissatisfied with their job. In the same way, we think we could improve the indicator used to measure turnover. By focusing more particularly on voluntary exits we could have a clearer idea of social climate in a company. It could also be interesting to analyze performance in firms more globally by combining social, economic and financial approaches.

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