

Core Values, Culture and Ethical Climate in Family Versus Non-Family Enterprises

Mojca Duh

Faculty of Economics and Business Maribor
Razlagova 14, 2000 Maribor, Slovenia
E-mail: mojca.duh@uni-mb.si

Jernej Belak

Faculty of Economics and Business Maribor
Razlagova 14, 2000 Maribor, Slovenia
E-mail: jernej.belak@mer-evrocenter.si; jernej.belakni-mb.si
MER Evrocenter for Management and Development
Terčeva 26, 2000 Maribor, Slovenia

Abstract: The research presented in this paper aims to contribute both quantitatively and qualitatively to the discussion on family businesses' s core values, culture and ethical climate. The purpose of our paper is to better understand the association between the degree of involvement of a family in an enterprise and its influence on enterprise core values, culture and ethical climate as the constitutional elements of enterprise ethical behaviour. Bearing in mind the small number of respondents, the use of self-assessments and only one and culturally very homogenous country, the findings should be generalized only cautiously beyond this context.

Keywords: a family enterprise, core values, enterprise's culture, ethical climate

1 Introduction

At the most basic level a family enterprise may be defined as an enterprise, which is controlled by members of a family. However, family enterprises are not homogenous. Empirical researches have revealed that, among others, family enterprises vary regarding the degree of family involvement in ownership and management [1, 2, 3]. The family is an intimate room where the core values, culture as well as ethical climate of the family as well as of the broader environment is shaped, and where the first social relationships are formed, which differ from relationships with people outside the family circle. The process of

family education and upbringing form the foundation for the focused expectations of every single family member upon which the trust and firmness of family relations are built [4]. The family system forms fundamental principles, core values, which can be seen as the guidelines in setting the vision, mission and goals of a family enterprise. Because of the importance of family influence on the ethical climate and culture of a family enterprise system (influenced through the family core values), it could be possible to observe and value the level of family influence on the ethics of a family enterprise as well.

Family business values as well as corporate culture in family businesses are widely discussed in literature [2, 5, 6], but often without sufficient empirical evidence and studies on family versus non-family businesses differences. The research presented in this paper aims to contribute both quantitatively and qualitatively to the discussion on family businesses' core values, culture and ethical climate. The purpose of our paper is therefore to improve our understanding of the association between the degree of family involvement in an enterprise and its influence on the enterprise's core values, culture and ethical climate as the constitutional elements of enterprise ethical behaviour. Bearing in mind the small number of respondents, the use of self-assessments and only one and culturally very homogenous country, the findings should be generalized only cautiously beyond this context.

2 Literature Review

2.1 Enterprise Core Values

In society, values help to define people's "core" thinking: what they love, hate, or are just indifferent to [18]. In an enterprise, values serve to convey a sense of identity to its members, enhance the stability of its social system, direct a manager's attention to important issues, guide subsequent decisions by managers, and facilitate commitment to something larger than self [7, 35].

Hood [8] argues that ethical orientation of the enterprise is revealed through the formal and explicit activities of business life on a daily basis. The basis of these activities is outlined by enterprise's accepted procedures and policies. A formal statement of the enterprise's ethical stance is a means through which the values and ethical orientation of the enterprise are transmitted to employees. In author's opinion [8] values are the point at which the individual intersects with society [8, 9]. The author classifies values in terminal values (desirable end-states of existence) and instrumental values (modes of behaviour or means of achieving the desirable end-states). Hood [8] divides terminal values further into social and personal values, where on the other side instrumental values further into morality-

based and competency-based values. Social values include items as freedom, equality, and world at peace and morality-based values include items as politeness, helpfulness, affection, and forgiveness. Personal values include factors as self-respect, broadmindedness, and courage and competency-based values include items as logic and competence. Hood [8] defends the opinion that enterprise success can be controlled and focused by maintaining and examining the enterprise's ethical orientation through shapening the underlying enterprise's values. Further, Hemingway and Maclagan [10] prove that enterprises' ethical behaviour depends on formal adoption and implementation of enterprises' ethical programmes, which can be considered as the result of and is associated with the changing values of individual managers.

In a context of enterprise ethics, it is very important that organizations provide a moral environment for employees. Various authors [11, 12, 13] developed the term ethical leadership, where development of a specific value or set of values is important for enterprise's success as integrity, prudence, courage, temperance, and justice. Morris [14] argues that core values of every organization need to reflect their ethical content. Thommen [15] proposed the categorization into three dimensions of an enterprise's credibility (responsible, communicative, and innovative behaviour) considered as the "highest" value. Marrewijk [16] is of an opinion that for the enterprise's success the enterprise's core values as order, success, community and synergy are of relevant meaning. These four core value systems have further strong relation with enterprise culture and enterprise climate.

García-Marzá [17] argues that there are interests common to all stakeholders, which in order to be satisfied demand a specific orientation in management decisions and actions. Considering this, the author proposes basic or core values that represent the corporate constitutional framework, responsible for establishing the basic rules for subsequent definition of relationships and strategies among various groups (enterprise stakeholders). In his opinion, if we eliminate any of these values, a dialogue will no longer represent a process of reaching agreement but will become a mere strategy or compromise, where the final outcome is decided by the more powerful side. García-Marzá [17] proposes the following core values:

- *Integrity*: coherence between what is said and what is done.
- *Credibility*: trust in the expectations placed in the company.
- *Fairness*: equal distribution of burdens and benefits.
- *Dialogue*: possibility for participation and consensus mechanisms among the various groups involved and/or affected.
- *Transparency*: truthfulness, intelligibility and accessibility in internal and external communications structures.
- *Dignity*: respect for and encouragement of human rights and values involved in reciprocal recognition between individuals.
- *Legality*: compliance with laws and legal provisions.

- *Civic commitment*: contribution to local and regional development, co-responsibility for social order.
- *Environment*: position on the maintenance and improvement of the environment.
- *Responsibility*: capacity for anticipation of and response to social expectations and demands.

These are the so-called ethical values [17, 18], which help to establish and maintain the standards that delineate the “right” things to do and the things “worth doing”. Such ethical values influence individual’s choices and lead to actions which every organization supports. Some authors [17, 18, 33] believe that when the ethical values of an enterprise are widely shared among its members, the enterprise’s success will be enhanced.

2.2 Enterprise Culture

Enterprise/corporate culture is a multifaceted construct, and is defined by various authors differently. Goffman [19] focused on the observed behavioural regularities in people’s interactions, Homans [19] discussed the norms that evolve in working groups, Ouchi [20] stressed the philosophy that influences organizational policy, and Van Maaren [19] emphasized the rules for good understanding in an organization. More recently, enterprise/corporate culture has been defined as encompassing the assumptions, beliefs, goals, knowledge, and values that are shared by organizational members [7, 19, 20, 22, 23, 24, 25].

Various types of enterprise/corporate cultures have been identified – related to the dynamic nature of the industry concerned [26] and to the size of the organization [27]. Several classifications have been proposed, the most often cited being those of Schwartz [25], Deal and Kennedy [7], Hofstede [28, 29, 30, 31, 32], Schein [22, 23, 24], Sathe [21], Kets de Vries [33], Graves [34], Williams, Donson and Walters [35], and Cameron and Quinn [36]. Hofstede [28] proposed that enterprise culture could be classified by comparing the degree of individualism versus collectivism, the apparent power-distance metric, the tendency towards uncertainty avoidance, and the bias between masculinity and femininity. Kets De Vries [33], on the other hand, opted to derive his classification from characteristics of the prevailing mentality: a paranoid culture (a persecutory theme), an avoidance culture (a pervasive sense of futility), a charismatic culture (everything evolves around the leader), a bureaucratic culture (depersonalized and rigid), politicized culture (leadership responsibility is abdicated).

In the Thommen’s [15] opinion, an enterprise should emphasize its culture to the level where it comes into accordance with the enterprise’s vision and strategy. To judge and analyze the enterprise culture, the author [37, 38] refers to the following criteria:

- *The level of anchoring* can show how much the values and norms are accepted by the co-workers. The higher the level of anchoring is – the stronger the impact of enterprise culture on employee behaviour.
- *The level of agreement* defines the collective character of cultural norms and values. The effect of an enterprise's culture is stronger if same values and norms are shared by the majority of co-workers.
- *System compatibility* is the level of harmonization of enterprise culture with all other systems of an enterprise. The greater the impact of cultural values and norms on these systems, the easier and better they can be implemented.
- *Compatibility with the environment* means external focus. The enterprise culture should be developed in harmony with the economic culture in which the enterprise functions. It can happen that a business loses its focus to customers and consequently its reputation, which also results in decreased popularity as a potential employer.

Considering the criteria above, Thommen [38] differentiates between strong and weak enterprise cultures. An enterprise with a strong culture is one with a high level of values and high norms anchoring, a high level of agreement, as well as high system and environment compatibility.

Considering the above stated scientific cognitions on enterprise culture Cameron and Quinn [36] proposed a classification comprising the four forms for culture audit and comparison purposes – Clan, Hierarchy, Market and Adhocracy. A **Clan culture** is typical of an organization that concentrates on internal maintenance with flexibility, concern for people, and sensitivity for customers. It puts an emphasis on human relations, and adopts flexible operation procedures focusing on internal relationships. Values include cooperation, consideration, agreement, fairness, and social equality. Such an organization is generally a very friendly place to work, and employees contribute a lot personally to the working atmosphere. It is like an extended family, where leaders are thought of as mentors, and loyalty and tradition bind the organization firmly. An **Adhocracy culture** is a culture in which the organization concentrates on external positioning with a high degree of flexibility and individuality that is supported by an open system that promotes the willingness to act. It is generally a dynamic, entrepreneurial, and creative place to work, where people stick their necks out and take risks. Leaders are visionaries and use innovative and successful means, producing unique and original products and services. The organization values creativity, willingness to experiment and take risk, personal autonomy, and responsiveness. A **Market culture** is working towards clear and rational goals that are achieved through high productivity and economical operation. It tends to be result oriented and to concentrate on getting the job done. Its members value competitiveness, diligence, perfectionism, aggressiveness, and personal initiative. Its leaders are inclined to be hard-driving producers, focused on outperforming competitors and remaining at

the forefront of their field of endeavour by maintaining stability and control. The term “Market” is not to be confused with the marketing function or with customers in the market place. It represents a focus on transactions with external bodies, such as suppliers and customers. A **Hierarchical culture** focuses on maintenance of the internal system and strives for stability and control through clear task setting and enforcement of strict rules. Accordingly, it tends to adopt a formal approach to relationships, where leaders need to be good coordinators and organizers and toe the party line. It places a high value on economy, formality, rationality, order, and obedience.

2.3 Ethical Climate

Ethical climate concepts remain popular as a means of understanding the right-brain-based ethical atmosphere in enterprises. For the purpose of our discussion, we will use ethical climates as identified by Victor and Cullen [39]. In their opinion, an institutional normative system can be considered as an element of culture, although enterprise culture is more comprehensive and includes the patterns of behaviour, artefacts, ceremonies, and special language. Observers of organizational ethical climate discuss only those organizational norms that concern practices and procedures with ethical consequences in only a segment of their organizational culture.

Victor and Cullen [39] describe the enterprise climate as perceptions that “are psychologically meaningful molar descriptions that people can agree characterize a system’s practices and procedures”. Further on, the authors argue that the prevailing perceptions of typical organizational practices and procedures that have ethical content constitute the ethical work climate. In their opinion, ethical climate is conceptualized as a general and pervasive characteristic of an organization, affecting a broad range of decisions. Ethical climate therefore “informs”/influences members of the organization what one can do and what one ought to do regarding the treatment of others. The authors believe that climate types represent perceived norms of an organization or group with an ethical basis.

Based on the ethical criterion and locus of analysis, Victor/Cullen [39] argue, that five major types of ethical climate occur in enterprises:

- The **Caring** climate, where employees are expected to act in a way which is best for all enterprise stakeholders;
- The **Rules** climate, where employees must obey rules and procedures determined by the enterprise;
- The **Law and code** climate, where employees are expected to respect and obey the law as well as codes and professional standards;
- The **Instrumental** climate, where fulfilment of individual interests is in focus; and

- The **Independence** climate, where employees are expected to follow their own moral beliefs in their decision making.

2.4 Family Enterprise Core Values, Culture and Ethical Climate

Family businesses differ from non-family ones along important strategic and organizational dimensions. As the term “family business” implies, the most important differences have something to do with how a family influences the behaviour of a firm [40]. Habbershon and co-authors [41] use the system theory thinking to describe the family business. According to the authors the family business social system is a "metasystem" comprised of three broad subsystem components: (1) the controlling family unit – representing the history, traditions, and life cycle of the family; (2) the business entity – representing the strategies and structures utilized to generate wealth; and (3) the individual family member – representing the interests, skills, and life stage of the participating family owners/managers.

Family business focus on long-term sustainability of the firm rather than the realisation of short-term profits, which is according to the opinion of many experts the main characteristics differentiating family businesses from non-family ones. The majority of family entrepreneurs see themselves as the momentary caretaker of the company who has the responsibility of maintaining and further developing the enterprise for the following generation while non-family managers often focus on the sustainability of the business during their own professional life time [42]. This intention of the long-term sustainability of the business often results in a careful risk behaviour as a business failure also may dramatically reduce the family budget and restrain the possibilities of future generation. The research results indicate that the careful risk behaviour in combination with the relative longevity of family businesses is an explanation for strong local business focus (i.e., co-operation rather with local suppliers, limited levels of foreign trade, employment of local inhabitants) [42].

Dyer [5] suggests two important "family factors" driving behaviour in family businesses and that are familial goals and values. According to Koironen [45] family business values are "... explicit or implicit conceptions of the desirable in both family and business life. Given that there are often conflicts of interest between the two realms (business and family goals), family business values should be defined and shared so that they create a common ground for a durable value system that benefits both realms." Author believes that core values are even more important to a family business than to a non-family one because the two realms (business and family) can have so many conflicting interests.

Astrachan, Klein and Smyrnios [2] found the values and culture to be an important family enterprise elements; so important that they include the culture in their

method for assessing the extent of family influence on any enterprise (i.e. alternative method for defining a business as a family one) so called the "F-PEC Scale of Family Influence". The F-PEC scale comprises three subscales, besides culture, also power and experience. The F-PEC subscale culture assesses the extent to which family and business values overlap, as well as the family's commitment to the business. The family's commitment and vision of itself are shaped by what the family holds as important. For these reasons, core family values are the basis for developing a commitment to the business. Families that are highly committed to the business are highly likely to have a substantial impact on the business and a healthy owning family with strong values may be the greatest resource a business can have [43]. Neubauer and Lank [44] suggest that it is the necessity for the family to make clear what its values are, what it stands for as a family (preferably in written form) so that the family, the board and top management can appreciate the "rules of the game "as it is to be played by the family and the business it owns. This suggestion clearly demonstrate the role the family values have in balancing the three circles of family business system: family, business, and ownership [45].

Koironen [45] identified the following top values of the old Finnish family firms (based on self assessments of the present active family executives working at the top level): honesty, credibility, obeying the law, quality, and working hard, which are all modes of good ethical conduct. The author also found that values of yielding good economic return to owners, willingness to grow, and to get social recognition are scored surprisingly low. Based on the analysis on 50 family business mission statements Dumas and Blodgett [46] identified the following top values: quality, commitment, social responsibility, fairness, respect and integrity. The values honesty, trust, reputation and truth occurred less frequently in the mission statements.

According to Dyer [5] the value of altruism plays a unique role in family firms that is not generally found in other kinds of enterprises. Altruism is self-reinforcing and motivated by self-interest because it allows the individual to simultaneously satisfy both altruistic (other-regarding) preferences and egoistic (self-regarding) preferences [47]. Altruism compels parents to care for their children, encourage family members to be considerate of one another, and makes family membership valuable in ways that both promote and sustain the family bond. These bonds lend family firms a history, language, and identity that make it special. Altruism also fosters loyalty, as well as a commitment among its leaders to the firm's long-run prosperity. On the other hand, the altruism can cause parents to threaten their children with moral hazard. Because altruism partly stems from parents' desire to enhance their own welfare, parents have incentive to be generous even though that increased generosity may cause their children to free-ride [47]. So when the value of altruism is breached in families, it may be replaced by antipathy and the emotions of hate and jealousy [5].

Corporate culture of family business is inexorably influenced by the personality, values, and beliefs of the founding generation; often family enterprise is primarily driven by family patterns, values, and considerations about people. Typically, the family business culture has a uniquely close relationship with the local community's culture [48]. Also Sharma [3] and Klein [49] expose the influential role of family businesses' founders; due to their long tenures and the centrality of their position in their family and firm, founders exert considerable influence of the culture, values and performance of their firms during and beyond their tenure. The fundamental values in family businesses are largely determined by myths and legends centered around certain "reference figures" in the company history (in many cases these are founders) that have attained mythological status due to their pioneering achievements for the company [50]. Similarly Gatrell, Jenkins and Tucker [45, 51], find that the role of the founder is pivotal in determining and sustaining core business values, even after death. The authors also identify four main sets of values held by business-owning families: respect for the founder; honesty and integrity; loyalty and commitment; and risk avoidance, smoothing, and resistance to change. Denison, Lief and Ward [6] believe that the continuity of the founder's values in the company's culture could explain their research results which indicate that family businesses have a distinct, performance-enhancing culture. According to the authors "...The distinct background and character of entrepreneurs led them to establish cultures that were not only rich in core values and performance-enhancing behaviours, but also commercial environments conducive to learning and encouraging flexibility. Because these founder cultures are nurtured by succeeding generations of family, culture in family-owned firms is difficult to replicate and so may be a source of strategic advantage."

Based on his study, Dyer [5] suggests that the culture of the family business plays an important role in determining whether the firm continues successfully beyond the first generation. The author identified four types of family business culture: paternalistic, laissez-faire, participative, and professional based on seven categories of assumptions of how organizations view self, society and the world. The author found the paternalistic pattern as the most common culture in family firms studied, especially in the first generation family firms. In succeeding generations, more than two-thirds of the paternalistic firms experienced culture change, the majority becoming professional cultures.

3 Research Question

Considering the scientific theory, literature, and various research cognitions on family enterprises, we set our research questions as follows: Do core values, type and strength of culture, and ethical climate differ in family and non-family enterprises? Whether and to what extent a family influence core values, culture and ethical climate in a family business?

To answer our research question we designed four research constructs:

- C1: Enterprise status (family vs. non-family).
- C2: Ethical core values of the enterprises examined.
- C3: Type and strength of culture of enterprises examined.
- C4: Ethical climate of the enterprises examined.

The field of our research (core values, culture and ethical climate) becomes especially relevant in today's difficult economic conditions since the positive attitude of an enterprise towards the core values with ethical content, strong culture and ethical climate is going to have an important impact on solving today's financial crisis as well as future economic and social development. Since family enterprises are an important part of national economies of many countries [42], as well as in Slovenia [52], the presented research is trying to improve our understanding of core values, culture and ethical climate of family enterprises.

4 Research Methodology

For our research on differences in core values, culture and ethical climate of family and non-family enterprises, we chose a case study research methodology. As proposed by Yin [53] we used a multiple case study approach in our research, where replication logic was possible.

In our first research construct, we examined family as well as non-family enterprises. The definition of a family enterprise employed in our survey comprises following two criteria: "majority ownership in one family", and "the enterprise is perceived by the top manager (entrepreneur, owner-manager) to be a family enterprise". The criteria used in our survey to identify family enterprises are consistent with those employed in other studies (see for example [54, 55]). We did not include the generational criterion ("second or later generation owning the business") in the definition used. This criterion namely eliminates enterprises in the ownership of the first generation of owners (founding generation) from the group of family enterprises. The share of first generation family enterprises is very high in Slovenia, since the entrepreneurial tradition in transition countries was broken after World War II, and the possibility of establishing private enterprises was opened in the early 1990s.

In the framework of a second research construct, we examined the enterprise's core values. The ethical enterprises should have applied the majority of its core values with ethical content as defined by Garcíá-Marzá [17]: integrity, credibility, fairness, dialogue, transparency, dignity, legality, civic commitment, environment, responsibility. The questions in the frame of this research construct were formulated so that the respondent defined the importance of the listed core values

containing the ethical content as proposed by Garcíá-Marzá [17]. The questions under this construct were close-ended where the respondent defined the importance of a specific core value by giving a assessment from -3 to 3. The maximum assessment is therefore 33 and the minimum assessment -33.

The third research construct was designed to determine the type of enterprise culture, following the methodology developed by Cameron and Quinn's [36] Organizational Culture Assessment Instrument (OCAI). Following the methodology developed by Cameron and Quinn [36], these culture types (Clan, Hierarchy, Market, and Adhocracy) can be assessed by observing the six key dimensions of enterprise culture:

- *Dominant Characteristics*: the degree of teamwork and sense of belonging, level of creativity and dynamism, focus on goals and competition, reliance upon systems, and emphasis on efficiency.
- *Organizational Leadership*: the leadership style and approach that permeate the organization. In earlier research, Quinn and Rohrbaugh [56] described eight nominal categories of leadership and later incorporated these into the OCAI review process. The roles identified were mentor, facilitator, innovator, broker, producer, director, coordinator, and monitor.
- *Management of Employees*: how employees are treated, degree of consultation, participation and consensus, working environment.
- *Organizational Glue*: bonding mechanisms that hold the organization together, such as cohesion and teamwork, loyalty and commitment, entrepreneurship and flexibility, rules and policies, goal orientation, and competitiveness.
- *Strategic Emphasis*: organizational strategy drivers, long-term development of human capital, innovation, stability and competitive advantage, growth and acquisition, achievement of goals.
- *Criteria for Success*: how it is defined and who is awarded profits, market share and penetration, sensitivity to customers and concern for people, development of new products and services, dependability, and optimization of costs.

Considering the relevant literature argumentation that for succesful implementation of certain enterprise culture enterprises would have to strive under the strong enterprise culture our third research construct was designed in a way to determine the strength of enterprise culture as well, following Thommen's [15, 37, 38] cognitions and criteria for culture strength determination (discussed in previous chapter).

To define the ethical climate in the fourth research construct of the questionnaire, we followed the methodology developed by Victor and Cullen [39]. In this methodology, they propose five types of ethical climate discussed in previous chapter.

The results of our research are based on self-assessments which were the only possible alternative and unfortunately could not be questioned or tested by outsiders' evaluation. We are aware that opinions on the business can vary strongly according to the characteristics of the person offering them. When multiple people within the company were interviewed, the wider view of each company would be at our disposal. Therefore, any forthcoming study, this limitation should be taken into consideration.

5 Research Findings and Conclusions

5.1 Family vs. Non-family Enterprises

In our research the family enterprises were established following two criteria: “majority ownership in one family”, and “the enterprise is perceived by the top manager (entrepreneur, owner-manager) to be a family enterprise”. Our research examined 11 (39.28%) family enterprises and 17 (60.71%) non-family enterprises as shown in Table 1. We performed our interviews in 6 (21.42%) micro-, 7 (25%) small, 7 (25%) medium, and 8 (28,57%) large enterprises as shown in Table 2, classified on the basis of the Slovenian Companies Act.

Table 1
Enterprises distribution – Family vs. Non-family

Family vs. Non-family enterprises	No. of enterprises	Percentage
Family	11	39,28
Non-family	17	60,71
Total	28	100 %

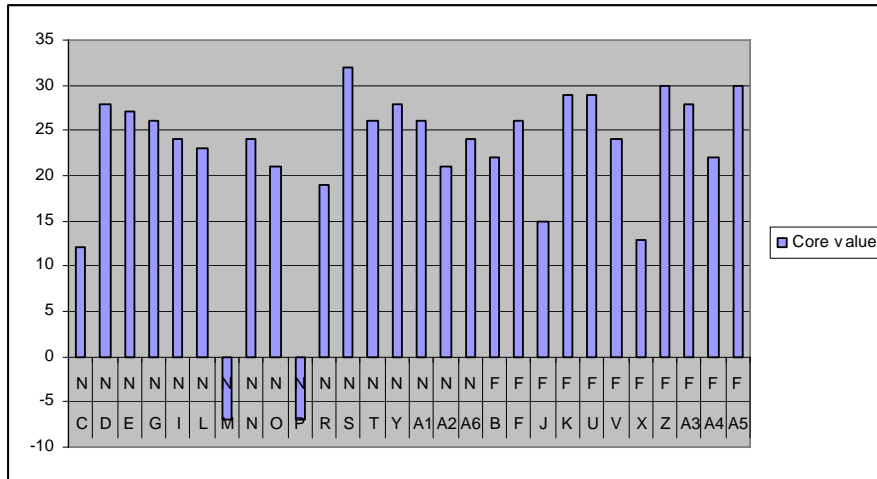
Table 2
Enterprises distribution by size

Enterprise size	Micro	Small	Medium	Large	TOTAL
No. of enterprises	6	7	7	8	28
Percentage	21,42	25	25	28,57	100

5.2 Enterprise's Core Values

It is very important for enterprises to provide a moral environment for employees; therefore, the core values of an enterprise need to be ethical in nature. Our research showed that the majority of the enterprises examined had a positive attitude towards the core values with ethical content. On the other hand, our

research results showed two examples (both non-family enterprises) of a negative attitude towards the ethical values as shown in Figure 1. Thus, in Figure 2, we can observe a negative trend in value consideration in relationship with the enterprise status: family vs. non-family enterprise.



N = Non-family enterprise; F = family enterprise; B – A6 = enterprises examined

Figure1
 Observed enterprises and core value consideration

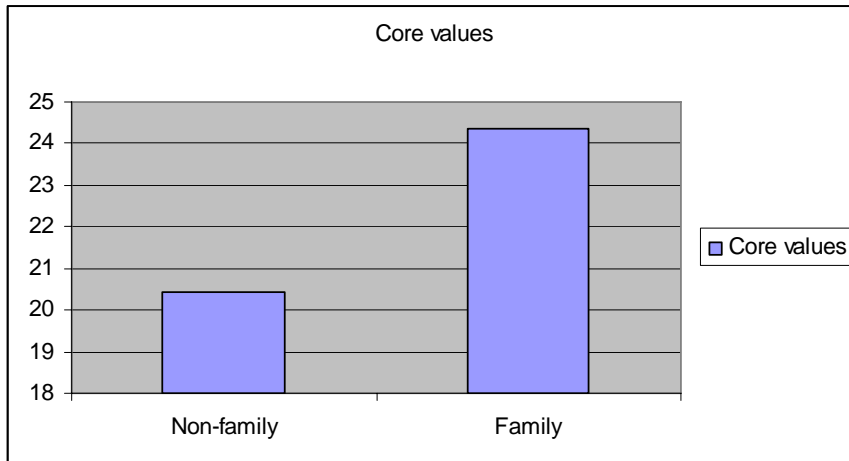


Figure2
 Overview of core value consideration

Considering the total assesment stated by the respondents expressing their attitudes towards the core values with ethical content (shown in Figures 1 and 2) we can conclude that family enterprises on average show more possitive attitudes (average value 24,36) towards core values with ethical content as non-family enterprises do (average value 22,12).

5.3 Enterprise’s Ethical Climate

In the frame of an ethical climate examination, our case study research followed the methodology developed by Victor and Cullen (1988). As shown in Table 3, in enterprises studied within our research all five types of ethical climate (Caring, Rules, Law & Code, Instrumental, Independence) were identified.

Table 3
Family vs. Non-family enterprises and ethical climate

	Family	Non-family
Ethical climate type	%	%
caring	45,45	17,64
rules	27,27	52,94
law&code	18,18	23,52
instrumental	0	5,88
independance	9,09	0
TOTAL	100	100

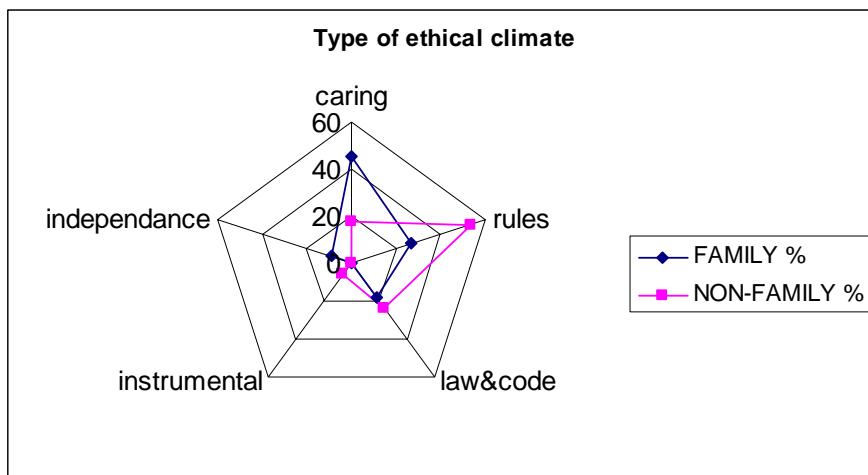


Figure 3
Overview of ethical climate considering the status family vs. non-family enterprise

As shown in Table 3 and Figure 3, our research showed that in the majority of family enterprises, a combination of Care (45%) and Rule (27%) ethical climates is present. Family enterprises expect their employees to react and act in a way best for all enterprise stakeholders. On the other hand, the research showed that it is very important for family enterprises that their employees follow the rules and procedures set by the enterprise.

In the case of non-family enterprises, the research results reveal that enterprises implement a combination of Rule (52%) and Law and code (23%) ethical climates, which implies that following the rules and procedures determined by the enterprise as well as respect for law and professional standards play an important role.

5.4 Type and Strength of Enterprise Culture

The results presented in Table 4 and Figure 4 show that in family enterprises, the Clan culture (72%) prevails. Consequently, family enterprises are more personal, where employees also act like family; leadership is considered as mentoring. The management in the enterprises observed was characterized by teamwork and participation; employees showed a high level of mutual trust and commitment to their enterprises. Studied family enterprises emphasized human development, trust, and openness.

The Clan culture (41%) prevails in non-family enterprises as well, following by the Market (23%) and Hierarchical (29%) culture characteristics. Considering this fact, we can state that non-family enterprises are more dynamic in the entrepreneurial sense: people are willing to take higher risks, they are more competitive and achievement oriented. Although a high degree of “care for people” is present in non-family enterprises, these enterprises showed a strong tendency to innovation and risk taking, market aggression, and orientation towards results. The management in these enterprises expressed high demands and achievements. Our research findings showed that people in these enterprises trusted each other, but on this basis there was a high commitment to innovation and goal accomplishment. Therefore, new challenges and prospects for new opportunities in these enterprises are very important. According to their striving for success, our research noticed their goal of domination of the marketplace.

Table 4
Type of enterprise culture

	FAMILY	NON-FAMILY
Type of culture	%	%
clan	72,72	41,17
adhocracy	18,18	5,88
market	0	23,52
hierarchical	9,09	29,41

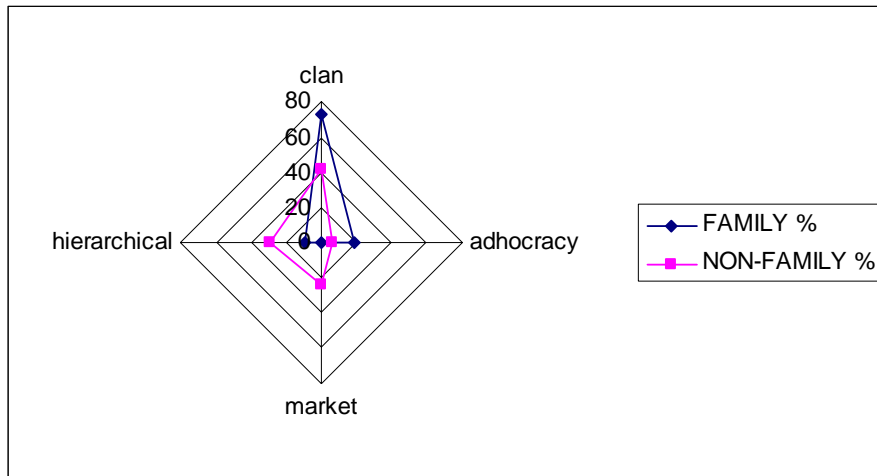


Figure 4

Overview of enterprise culture considering the status Family vs. Non-family enterprise

Considering the levels of anchoring and agreement, the system compatibility, and the compatibility with the environment, our research showed (see Table 5 and Figure 5) that a strong enterprise culture can be found in family (45%) as well as in non-family (41%) enterprises, where people share the same norms and values. In the non-family enterprises we can observe a higher level of competitiveness and individualism, and since the strength of culture in non-family enterprises is on average weaker, we can state that the norms and values are not as common, in comparison to family enterprises. As shown in Table 5 and Figure 5 our research cognitions show that family enterprises on average face strong and middle (54%) culture, where on the other hand besides strong and middle (35%) non-family enterprises face weak culture (23%) as well.

Table 5
Strength of enterprise culture

	FAMILY	NON-FAMILY
Culture strength	%	%
strong	45,45	41,17
middle	54,54	35,29
weak	0	23,52
TOTAL	100	100

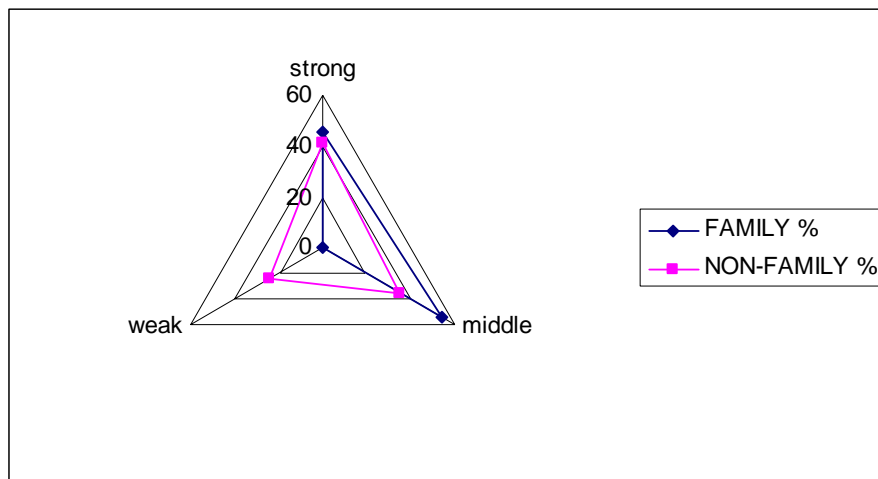


Figure 5

Overview of culture strength considering the status family vs. non-family enterprise

Conclusions

The purpose of our research was to examine the association between the degree of family involvement in an enterprise and its influence on the enterprise's core values, culture and ethical climate as the constitutional elements of enterprise ethical behaviour. The main findings of our research are the following:

- family enterprises on average show more positive attitudes (average value 24,36) towards core values with ethical content as non-family enterprises do (average value 22,12).
- in the majority of family enterprises, a combination of Care (45%) and Rule (27%) ethical climates is present
- in the majority of non-family enterprises a combination of Rule (52%) and Law and code (23%) ethical climates is present
- the Clan culture (72%) prevails in family enterprises
- the Clan culture (41%) prevails in non-family enterprises as well, following by the Market (23%) and Hierarchical (29%) culture characteristics
- a strong enterprise culture can be found in family (45%) as well as in non-family (41%) enterprises
- family enterprises on average face strong and middle (54%) culture, where on the other hand besides strong and middle (35%) non-family enterprises face weak culture (23%) as well

The research presented in the paper is the first step toward in-depth study of differences in core values, culture and ethical climate between family and non-family businesses. More research should be done in order to understand the influence of the family on the ethical behaviour of an enterprise. In order to answer these questions further research should observe separately core values, culture, and ethical climate of a family as well as of an enterprise.

Bibliography

- [1] Westhead, P. and Cowling, M.: Family Firm Research: The Need for a Methodological Rethink. *Entrepreneurship Theory and Practice* 23(1), 31-56, 1998
- [2] Astrachan, J. H., Klein, S. B., Smyrnios, K. X.. The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem. *Family Business Review*, Vol. 15, No. 1, str. 45-58, 2002
- [3] Sharma, P.: An Overview of the Field of Family Business Studies: Current Status and Directions for the Future. *Family Business Review*, Vol. 17, No. 1, str. 1-36, 2004
- [4] Bogod T., Leach P.: *Guide to the Family Business*. London: Kogan Page Limited, 1999
- [5] Dyer, W. G., Jr.: The Family: The Missing Variable in Organizational Research. *Entrepreneurship Theory and Practice*, Vol. 27, No.4, 401-416, 2003
- [6] Denison, D., Lief, C., Ward, J. L.: Culture in Family-Owned Enterprises: Recognizing and Leveraging Unique Strengths. *Family Business Review*, Vol. 17, No. 1, 61-70, 2004
- [7] Deal T., Kennedy A. A.: *Corporate Cultures: The Rites and Rituals of Corporate Life*. Addison-Wasley, 1982.
- [8] Hood J. N.: The Relationship of Leadership Style and CEO Values to Ethical Practices in Organizations. *Journal of Business Ethics*, 43/4, 2003
- [9] Grunert S. C., Scherhorn G.: Consumer Values in West Germany Underlying Dimensions and Cross-Cultural Comparison with North America. *Journal of Business Research*, 20, 1990
- [10] Hemingway C. A., MacLagan P. W.: Managers' Personal Values as Drivers of Corporate Social Responsibility. *Journal of Business Ethics*, 50, 2004
- [11] Knights D., O'Leary M.: Leadership, Ethics and Responsibility to the Other. *Journal of Business Ethics*, 67, 2006
- [12] Molyneux D.: Blessed are the Meek, for they Shall Inherit the Earth: An Aspiration Applicable to Business? *Journal of Business Ethics*, 48, 2003
- [13] Morrison A.: Integrity and Global Leadership. *Journal of Business Ethics*, 31, 2001

- [14] Morris H. M. et al. (2002): The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework. *Journal of Business Ethics*, Nov. 2002, 40, 4
- [15] Thommen J. – P.: *Glaubwürdigkeit und Corporate Governance*, 2. vollständig überarbeitete Auflage. Zürich: Versus Verlag, 2003
- [16] Marrewijk M.: A Value Based Approach to Organization Types: Towards a coherent set of stakeholder-oriented management tools. *Journal of Business Ethics*, 55, 2004
- [17] García-Marzá D.: Trust and Dialogue: Theoretical Approaches to Ethics Auditing. *Journal of Business Ethics*. 2005, 57
- [18] Hunt S. D., Wood V. R., Chonko L. B.: Corporate Ethical Values and Organizational Commitment in Marketing. *Journal of Marketing*, 53(3), 1989
- [19] Huczynski A., Buchanan D.: *Organizational Behaviour*. Essex: Pearson Education Limited
- [20] Ouchi W. (1981): *Theory Z*. Addison-Wasley, 2007
- [21] Sathe V.: Implications of Corporate Culture: A Manager's Guide to Action. *Organizational Dynamics*, 12, 1984
- [22] Schein E. H.: The Role of the Founder in Creating Organizational Culture. *Organizational Dynamics*, 1983
- [23] Schein E. H.: *Organizational Cultures and Leadership*. San Francisco: Jossey-Bass, 1985
- [24] Schein E. H.: *Organizational culture and leadership*. San Francisco, 1992
- [25] Schwartz H., Davis S.: Matching Corporate Culture and Business Strategy. *Organizational Dynamics*, 10, 1981
- [26] Gordon G. G., DiTomaso N.: Predicting corporate performance from organizational culture. *Journal of Management Studies*. 29, 1992
- [27] Gray, J. H.: A matter of size: does organizational culture predict job satisfaction in small organizations?, 2003
- [28] Hofstede G. J.: The cultural relativity of organizational practices and theories. *Journal of International Business Studies*, 14, 1983
- [29] Hofstede G. J., Neuijen B., Ohayv D. D., Sanders G.: Measuring Organizational Cultures: A Qualitative and Quantitative Study across Twenty Cases. *Administrative Science Quarterly*; 35, 2; Jun 1990
- [30] Hofstede G.: Attitudes, Values and Organizational Culture: Disentangling the Concepts. *Organization Studies*; 19/3, (1998 a

- [31] Hofstede G.: Identifying Organizational Subcultures: An Empirical Approach. *Journal of Management Studies*; 35/1, 1998 b
- [32] Hofstede G. J.: Organizational culture: siren or sea cow? *Strategic Change*; 9, 135 – 137, 2000
- [33] Brown C. J.: Towards a strategy for project management implementation. *South African Journal of Business Management*, 30, 1999
- [34] Dyer, W.G., Jr.: Culture and Continuity in Family Firms. *Family Business Review*, Vol. 1, No. 1, 37-50, 1988)
- [35] Kadocsa G.: *Entrepreneurial Management*. Amicus Press. Budapest, München: 2007
- [36] Cameron K., Quinn R.: *Diagnosing and changing organizational culture: Based on the competing values framework*. Addison – Wesley, 1999
- [37] Thommen J. – P. (1999): Business Ethics, Success and Development Structuring of an Enterprise. In: *MER Journal for Management and Development*, 1(1999)2. Gubno
- [38] Thommen J. – P.: *Management und Organisation*. Zürich: Versus Verlag, 2002
- [39] Victor B., Cullen B. J.: The Organizational Bases of Ethical Work Climates. *Administrative Science Quarterly*; Mar. 1988; 33, 1
- [40] Steier, L.P. and Ward, J.L.: If Theories of Family Enterprise Really Do Matter, So Does Change in Management Education. *Entrepreneurship Theory and Practice* 30(6), 887-895, 2006
- [41] Habbershon, T. G., Williams, M. L., MacMillan, I. C.: A unified systems perspective of family firm performance. *Journal of Business Venturing*, 18(4), 451-465, 2003
- [42] Mandl, I.: Overview of Family Business Relevant Issues. Final Report. Vienna: Austrian Institute for SME Research, 2008), Availabale: http://ec.europa.eu/enterprise/entrepreneurship/craft/family_business/family_business_en.htm
- [43] Aronoff, C. E., Ward, J. L.: *Family Meetings: How to Build a Stronger Family and a Stronger Business*. Second Editon. Family Business Leadership Series, No.2, Family Enterprise Publishers, 2002
- [44] Neubauer, F. and Lank, A.G.: *The Family Business: Its Governance for Sustainability*. Macmillan Press, London, 1998
- [45] Koiranen, M.: Over 100 Years of Age but Still Entrepreneurially Active in Business: Exploring the Values and Family Characteristics of Old Finnish Family Firms. *Family Business Review*, vol. 15, no. 3, 175-187, 2002

- [46] Dumas, C., Blodgett, M.: Articulating Values to Inform Decision Making: Lessons from Family Firms Around the World. *International Journal of Value-Based Management*, vol. 12, no.3, 209-221, (1999)
- [47] Schulze, W. S., Lubatkin, M. H., Dino, R. N., & Buchholtz, A.K.: Agency Relationship in Family Firms: Theory and Evidence. *Organization Science*, 12(2), 99-116, 2001
- [48] Kelly, L. M., Athanassiou, N., & Crittenden, W. F.: Founder Centrality and Strategic Behavior in the Family-Owned Firm. *Entrepreneurship Theory and Practice*, 25(2), 27-42, 2000
- [49] Klein, S.: *Familienunternehmen. Theoretische und empirische Grundlagen*. Wiesbaden: Gabler Verlag, 2000
- [50] Roessl, D.: Family Businesses and Interfirm Cooperation. *Family Business Review*, Vol. 18, No. 3, 203-214, 2005
- [51] Gatrell, J., Jenkins, H., Tucker, J.: Family Values in Family Business. In: G. Corbetta and D. Montemerlo (Eds.), *The Role of Family in Family Business*. 12th Annual FBN World Conference, Rome. Egea S.p.A. FBN: Milano, 2001
- [52] Duh, M., & Tominc, P.: Comparative Analysis of Family and Non-Family Businesses in Slovenia (Primerjalna analiza družinskih in nedružinskih podjetij v Sloveniji) In: Rebernik, M., Tominc, P., Duh, M., Rus, M., Pušnik, K., Krošlin, T., Bradča, B., Močnik, D., *Slovenian Entrepreneurship Observatory 2005 (Slovenski podjetniški observatorij 2005)* pp.59-68). Maribor: Faculty of Economics and Business, 2006
- [53] Yin K. R.: Enhancing the Quality of Case Studies in Health Services Research. *Health Services Research*, Vol. 34, 1999
- [54] Sonfield, M. C., Lussier, R. N., Pfeifer, S. and Manikutty, S.: A Cross-national Investigation of First-generation, Second-generation, and Third-generation Family Businesses: A Four Country ANOVA Comparison. *Journal of Small Business Strategy* 16(1), 9-26, 2005
- [55] Kotey, B. and Folker, C.: Employee Training in SMEs: Effect of Size and Firm Type – Family and Nonfamily. *Journal of Small Business Management* 45(2), 214-238, 2007)
- [56] Quinn R. E., Rohrbaugh J.: A Spatial Model of Effectiveness Criteria: Towards a Competing Values Approach to Organizational Analysis. *Management Science*, 29/ 3, March 1983