The Recruitment Process within the Family Business Context

A Multiple Case Study

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Abstract

The presented master thesis is an exploratory, multiple case study that analyzes the recruitment practices and their respective processes in five family firms located in the Southern part of Germany.

A strong HR function inside a company is necessary to stay competitive in the market and survive in the long-run. Hereby recruitment is an important field of research because firms depend on their employees who are ultimately the vital factor in running a successful business. Recruitment is an ongoing process in a dynamic business world and a very crucial responsibility of HRM inside the organization. Especially due to the strong family involvement, commitment to the localities, overlap between financial and nonfinancial goals, and a deeply ingrained business culture based on the family founders’ values, establishing an effective recruitment process is even more important in family than in nonfamily firms. Thus, this study aims at exploring and researching individual characteristics associated with the recruitment practices and tries to display the main influencing factors in the recruitment process of the studied firms. Through analyzing secondary and primary data collected with the help of semi-structured interviews, the authors were able to gather insightful data from CEOs and HR representatives in order to draw comprehensive conclusions regarding how suitable employees are recruited in family firms.

The results show that the person-organization (P-O) fit is a main component which family firms try to assess in their applicants. Personality and the fit to the respective business culture, apart from the actual skill-set, is an additional requirement for being recruited. Through various recruitment channels, strategies, and assessments the family firms try to use the construct of familiness to their advantage and benefit.
Table of Contents

1 Introduction ........................................................................................................ 1
  1.1 Background .................................................................................................. 1
  1.2 Problem Discussion .................................................................................... 3
  1.3 Research Purpose ....................................................................................... 4
  1.4 Research Question ...................................................................................... 4

2 Frame of Reference ............................................................................................ 5
  2.1 Fundamental Characteristics of Human Resources Management ............... 5
  2.2 Fundamental Characteristics of Family Businesses ............................... 6
  2.3 Underlying Culture and Values within Family Businesses ..................... 8
  2.4 Human Resources Management within Family Businesses .................... 11
  2.5 Fundamental Characteristics of Recruitment Processes ....................... 13
  2.6 Recruitment Processes within Family Businesses ..................................... 16
  2.7 P-O Fit and its Influence on Recruitment Processes within Family Businesses .......................................................... 20

3 Methodology ..................................................................................................... 23
  3.1 Constructionism/Interpretivism Research Philosophy ................................ 23
  3.2 Abductive Research Approach .................................................................. 24
  3.3 Exploratory Research Design ................................................................... 25
  3.4 Multiple Case Study Research Method ...................................................... 25
  3.5 Primary and Secondary Data Collection ................................................... 26
  3.6 Semi-Structured Interview Design ............................................................. 27
  3.7 Selection of Family Businesses/Respondents .......................................... 28
  3.8 Interviews .................................................................................................. 29
  3.9 Data Analysis ............................................................................................. 31
  3.10 Research Quality ....................................................................................... 32

4 Reporting of Qualitative Data Findings ......................................................... 33
  4.1 Company A .............................................................................................. 33
    4.1.1 Background Information .................................................................... 33
    4.1.2 HR Department .................................................................................. 34
    4.1.3 Family Business .................................................................................. 34
    4.1.4 Recruitment Process .......................................................................... 35
  4.2 Company B .............................................................................................. 36
    4.2.1 Background Information .................................................................... 36
    4.2.2 HR Department .................................................................................. 36
    4.2.3 Family Business .................................................................................. 37
    4.2.4 Recruitment Process .......................................................................... 37
  4.3 Company C .............................................................................................. 38
    4.3.1 Background Information .................................................................... 38
    4.3.2 HR Department .................................................................................. 39
    4.3.3 Family Business .................................................................................. 39
    4.3.4 Recruitment Process .......................................................................... 40
  4.4 Company D .............................................................................................. 41
    4.4.1 Background Information .................................................................... 41
    4.4.2 HR Department .................................................................................. 41
Figures

Figure 1: Internal and External Influences on Family Business Culture
   (Ransburg et al., 2016, p.36) ..................................................................................... 11

Figure 2: Reverse-Funnel Approach for Recruitment in Family Firms
   (Ransburg et al., p. 63) .............................................................................................. 19

Figure 3: Multiple Conceptualizations of P-O Fit
   (Kristof, 1996, p.4) .................................................................................................. 22

Figure 4: Traditional Recruitment Approach and Reverse-Funnel Approach .......... 64

Tables

Table 1: Overview of participating family firms .......................................................... 29
Table 2: Information about interviews ....................................................................... 31
Table 3: Overview of interview findings ..................................................................... 49
Table 4: Familiness utilized by the F-PEC scale of the interviewed family businesses .................................................................................................................. 55
Table 5: Overview of interviewed family firms’ recruitment processes ................. 65
1 Introduction

The introductory chapter of this thesis presents the background to the subject at hand, whereupon the gap in the literature is described. It is followed by the purpose of this thesis in connection to the associated research question.

1.1 Background

The importance of human resources (HR) for businesses is undisputable. This is especially true for family firms in which people are the foundation of creating the infrastructure. This enables the company to live past any individual founder (Denison, Lief, & Ward, 2004). Family businesses distinguish themselves in many ways from nonfamily firms and are in many cases not fly-by-night operations (de Vries, 1993). This means family firms do not exist for a short while, but have proven to be around long-term (Sharma, 2005). They often face many challenges and opportunities in relation to managing their human resources and therefore, this thesis explores specific HR challenges with an emphasis on the recruitment process to create a deeper understanding of the applied strategies in family firms.

A well-supported HR function in any organization is vital and provides the context for an overall better performance in the broader spectrum of the organization (Becker & Gerhart, 1996). Albeit human resource management (HRM) finds itself always located in an economic context, a superior challenge that managers are facing is how to secure the economic viability of their firm in the markets in which it competes (Boxall & Purcell, 2003). In order to accomplish this challenge and successfully maintain the well-being of the respective organization, managers have to make sure that the business has continuous access to human capital and that it can afford the people which it employs (Boxall & Purcell, 2003). Thus, given the differences in size of family companies, cost-effective systems for managing and recruiting new people are necessary.

Taylor and Collins (2000) argue that recruitment is the centerpiece of a strategic HRM and consequently, getting this process right increases the likelihood of growing a successful company. For a long time, businesses have mainly focused on their customers (Zeuch, 2016), while the success of an organization lies as much in the hands and power of the people who work for it (Stallard & Pankau, 2010). Any business, no matter the size or the industry sector, has to deal at some point in time with HRM and is in a rancorous competition for the recruitment of the best hires (Taylor & Collins, 2000).

HRM also plays an important role for the organizational context due to the challenge of recruiting as well as hiring skilled people who share the same culture and values of the family firm and hence, fit to the organizational climate. A family business often has a unique culture because the family founder’s rich core values and performance-enhancing behaviors are likely to be ingrained in the firm (Denison et al., 2004) and employees are often treated as family members (Ransburg, Sage-Hayward, & Schuman, 2016). Many scholars share the belief that family firms outperform non-family firms (McConaughy, Matthews, & Fialko, 2001) through culture and a long-term perspective (Anderson & Reeb, 2003). However, some scholars also oppose this assumption by saying that family businesses tend to operate and manage
unprofessionally, practice nepotism, are vulnerable to entrenchment, and thus, will underperform (Lansberg, Perrow, & Rogolsky, 1988). While procedures to measure firm performance exist, measures for familiness do not (Chrisman, Chua, & Sharma, 2005). The phenomenon of familiness is invisible and not directly observable. It is rather a construct embodied by the individual family founder or members and may be experienced through instrumentation (Cliff & Jennings, 2005). Considering that familiness is a key feature of family firms, its utilization by instruments such as the familiness-power, experience, culture (F-PEC) scale, which will be explained later on, classifies the business (Rutherford, Kuratko, & Holt, 2008). A strong culture can help family companies to foster and even strengthen their organizational performance as well as long-term orientation (Denison et al., 2004). In order to sustain the survival of the organization, ambitious employees have to work for the company, although finding well skilled people who also fit to the underlying culture is a growing challenge (Fallon Taylor, 2016).

Generally, specific literature and empirical contributions about HRM and recruitment practices within family firms are rather scarce or fragmented (Melin, Nordqvist, & Sharma, 2013; Poutziouris, Smyrnios, & Klein, 2006). For instance, even though the recruitment of skilled and fitting people is a vital function of a family business, some existing studies have focused on HRM and recruitment choices only involving family members, while neglecting the role of nonfamily personnel (Burkart, Panunzi, & Shleifer, 2003; Khanin, Turel, & Mahto, 2012). The lack of relevant recruitment literature in the family business context is especially problematic since HR is more important in family than nonfamily firms for reasons such as the treatment of employees, whether family or nonfamily, family dynamics which complicate the emotional environment of a family business, family relationships, and the livelihoods and fortunes of the company (Ransburg et al., 2016). Many researchers have focused on how companies generally implement HRM practices (Garcia-Carbonell, Martin-Alcazar, & Sanchez-Gardey, 2014), however, little is known about the strategy of specific HRM practices in family firms (Reid, Morrow, Kelly, & McCartan, 2002). This is why we investigate the a specific HRM practice, namely the recruitment process of family firms, with a focus on the executive and management level where the family influence appears to be most relevant. Researching these setups of family businesses and looking at the strategy behind their recruitment process can reveal new facts and characteristics of the unique presence of family firms. Thus, this paper strives to make a contribution to the research area of recruitment processes within the family business context by providing new empirical knowledge and perspectives from family companies located in Southern Germany. These firms are from different industries and vary in size, which allows us to point out differences in their recruitment processes and the influences thereon.
1.2 Problem Discussion

Family firms are unique in many ways and they significantly distinguish themselves from nonfamily companies, for instance through their family involvement (Habbershon, Williams, & MacMillan, 2003). In each aspect of the business, family influence not only determines the family firm status and its potential to differentiate between family businesses, but also has an impact on the long-term development and growth of the family company (Perry, Ring, Matherne, & Markova, 2015).

Even though HRM practices and policies inherently affect the performance of the firm and help a company to surpass competitors, many businesses neglect that HR is more effective in a bundle of its functions instead of having a single HR practice (Toh, Morgeson, & Campion, 2008). Keeping this in mind is important since the limited scope of this research only allows us to focus on one specific HRM practice. Organizational performance especially depends on the people who work for the company and in order to sustain a business, ambitious managers and employees must be hired. With that said, it becomes clear that the recruitment process as part of the HR function within an organization, is a cornerstone in maintaining the viability of the business. Hence, it is also important to illustrate what Ransburg et al. (2016) point out, namely that “selecting the right employees to hire is one of the more important and powerful actions a company can make” (p.82). However, the main problem when it comes to recruitment processes within family firms appears to be that, even though their general HR management can be better organized than in nonfamily organizations, they do not invest sufficient time, money, and effort into the recruitment process as they often tend to hire family members (Padgett, Padgett, & Morris, 2015). Existing literature demonstrates that family firms often feel like they can find suitable candidates among their family network and thus, take a more reactive approach to recruiting. This reactive approach can lead to negative consequences for the business, for instance if the hired family member does not possess the required skills for performing the job effectively (Ransburg et al., 2016).

With these facts and thoughts in mind, it is valuable to know more about the characteristics and strategies of family firms in their recruitment procedure. Where do they look for future employees? What do they value? Are they looking for a specific fit of person and organization? Does the problem outlined above hold true in reality? These and many more questions are subject to study when family firms and their recruitment process are being researched. We have the opportunity to have a closer look at some family owned businesses in Southern Germany and are able to gather knowledge about these issues. If family firms often outperform nonfamily firms, for instance through their general HR management of high performance work practices (HPWPs) (Sirmon & Hitt, 2003; Stewart & Hitt, 2012), yet lack effective recruitment processes, a crucial role must be given to the investigation of recruitment practices within these firms. How family companies recognize valuable, skilled, and fitting employees out of a large pool of applicants is an interesting theme since the better the people, the further they put the company ahead of others.
1.3 Research Purpose

As aforementioned, the purpose of this thesis is to study and explore the characteristics of the recruitment process in family firms based in Southern Germany. The differences in how the framework of person-organization (P-O) fit is incorporated, nonfamily and family applicants are treated, and the overall recruitment process is structured, are reasons to make it worth studying.

Since there is not a lot of previously conducted research on the recruitment process within family firms, even though more than two out of three organizations worldwide are family owned and/or managed (Barnett & Kellermanns, 2006), starting to close this gap in literature has theoretical as well as practical relevance. Our findings will make a contribution to the discussion about factors influencing the recruitment process of family firms in terms of P-O fit as well as family firm cultures and values. In addition, this study aims at making practical contributions by helping family owners and HR representatives of the investigated family firms to better understand the formalities of their own recruitment processes and providing them with greater insights about the family influences thereon.

1.4 Research Question

In order to be able to find out more about the characteristics of the recruitment processes within family firms, our study will be guided by the following research question:

*How do family firms recruit suitable employees for management positions who can work in alignment with the underlying culture, values, and familiness of the family business?*

Finding answers to several sub questions will help us to make conclusions regarding the posed research question:

1) What shared family-based culture and values shape the recruitment process of the business?

2) How do family firms incorporate the concept of P-O fit into their recruitment processes?

3) How does the recruitment process in family businesses differ for family and nonfamily candidates?
2 Frame of Reference

The following chapter will illustrate the findings of existing literature and previously conducted research about the topic of this thesis. Additionally, the underlying theories used for this research will be presented in depth. The explanation of why a specific theory is important for our topic and how it works will be thoroughly examined in this chapter.

2.1 Fundamental Characteristics of Human Resources Management

“HR is truly the beating heart of your business, as it is all about enhancing the experience, engagement, and performance of what is considered the most valuable asset of most companies: your people” (Ransburg et al., 2016, p. 1). As this quote shows, without having an ongoing access to people who possess the required talents and skills, an organization will not be able to survive in the long-run. Consequently, every company needs to establish a strong HR function in order to stay competitive in the market (Boxall & Purcell, 2003). However, existing literature has not always considered the HR department as a source for value creation, but rather just as a way to manage labor costs (Becker & Gerhart, 1996; Hamel & Prahalad, 1994). A new perspective on HR only emerged after rapid technological, social, and economic changes influenced businesses and hence, more authors became interested in researching HR as a strategic lever (Bas, 2012; Sparrow, Brewster, & Harris, 2004). Ulrich (1996), for instance, was one of the first authors to name HR as a strategic partner in firms. This new perspective moves away from a traditional functional HR orientation to a more strategic one by pointing out that HR has a direct effect on an organization’s operating as well as strategic objectives (Bas, 2012). Furthermore, successful HR management is nowadays seen as a move away from treating the workforce as a necessary expense of doing business to considering employees as an important investment in the companies’ performance and future growth (Cleveland, Byrne, & Cavanagh, 2015). Hence, HR management contributes to an organization’s strategic planning and also influences other managerial functions such as logistics, marketing, or sales (Bagheri, 2016).

While there are variations in every company, an HR department generally consists of four interrelated areas (Ross, 1981). These are firstly HR planning and forecasting, which identify and meet future HR needs. The second area entails an organizational analysis and should focus on designing jobs that fulfill individual and organizational requirements. The area personnel utilization is responsible for maintaining the general HR system through functions like recruitment, selection, compensation, and appraisal. Lastly, the personnel development area deals with training and development opportunities which help employees to acquire new knowledge, skills, and abilities. (Ross, 1981). When employees perceive certain HR practices as actually supporting their own development, the turnover intention and thus, voluntary turnover can be reduced. It should be kept in mind though that these developmental HR practices do not necessarily lead to an increase in the work performance of employees if there is no high quality employee-company relationship (Kuvaas, 2008). Therefore, a firm should not view investments in HR practices as way to compensate for a poorly managed employee-company relationship (Saunders, Lewis, & Thornhill, 2009).
Since all of the four HR areas mentioned by Ross (1981) are highly interrelated, it is important to design HR activities as a whole system rather than a set of distinctive areas (Barney & Wright, 1998; Becker & Huselid, 2006). Failing to consider all HR practices as a union neglects the fact that the combination of these practices, rather than the individual practices, shapes the interactions between employees and managers (Toh et al., 2008; Wu & Chaturvedi, 2009). Hence, in this thesis we use a general and interrelated definition of HRM as “The process of attracting, developing, and maintaining a talented and energetic workforce to support organizational mission, objectives and strategies” (Swamy & Balaji, 2006, p. 43). This definition incorporates a strategic approach to HRM which views it “[...] as an integrated and coherent bundle of mutually reinforcing practices” (Cruz, Firfiray, & Gomez-Mejia, 2011, p. 162). Furthermore, this definition includes all activities related to the so-called HR life cycle within a business which consists of recruitment, selection, onboarding, development, and exit (Ransburg et al., 2016). Recruitment concentrates on how and where to find suitable applicants for a particular position (Griepentrog, Harold, Holtz, Klimoski, & Marsh, 2012). Selection is the next step in which the organization decides who of those applicants is the optimal employee to hire for the position (Ng & Sears, 2010). Onboarding deals with how to integrate the new employee into the work environment (Mellinger, 2013), while development focuses on fostering and supporting talent to add value to the organization (Clarke & Higgs, 2016). At last, Kleinberg (2013) explains that exit is about creating a mutually beneficial process to help employees exit the company due to voluntary or involuntary reasons.

While all of these stages are important for establishing a successful HR function within a company, the given limited time frame does not allow us to research them all. Thus, this thesis will solely focus in detail on the first two stages of recruitment and selection. Selection is often considered as part of the recruitment process and together they are presented as one planned activity (hereafter simply referred to as the recruitment process) (Rees & Rumbles, 2010). The concept of recruitment will be more closely defined in later paragraphs.

2.2 Fundamental Characteristics of Family Businesses

To get an even narrower view on the topic of recruitment, we decided to focus our research on the recruitment process within family firms. This is because more than two out of three organizations worldwide are family owned and/or managed and hence, authors like Barnett and Kellermanns (2006) argue that “Family businesses are perhaps the dominant form of enterprise worldwide” (p.837). Therefore, academics have been studying family firms for many years, especially in two areas: defining family businesses as well as measuring gaps in performance between non-family and family firms (Hnilica & Machek, 2015). Despite this effort, there is not sufficient research done on family firm’s practical and theoretical problems (Dyer, 2003).

Since authors have been trying to define family businesses for many years, there are various definitions in existing literature of what a family company is. Lansberg, Perrow, and Rogolsky (1988) claim that people generally seem to understand the concept of family
businesses, yet they are unable to find a precise definition. Defining family firms is rather difficult due to their uniqueness. Chua, Chrisman, and Sharma (1999) state that “[…] what makes a family business unique is that the pattern of ownership, governance, management, and succession materially influences the firm's goals, strategies, structures, and the manner in which each is formulated, designed, and implemented” (p.22). Furthermore, researchers came to the conclusion that unique institutional and legal contexts in countries make it impossible to implement a universal definition (Hnilica & Machek, 2015). Even though there is no universal definition of family businesses, three dimensions are usually included in each definition. These dimensions are ownership (the family holds the majority of shares), board membership (family members control the company through membership in the executive board), or management (family members are employed in top management positions) (Hnilica & Machek, 2015). Also Cassar and Mankelow (2000) state that empirical studies tend to include criteria such as family control, family ownership, family member employment, family involvement in management, the presence of multiple family generations in the company, the strategic influence of the family, or the intention of succession within the family. The majority of researchers appear to use a combination of all these criteria (Cassar & Mankelow, 2000; Dunn, 1996; Sharma, Chrisman, & Chua, 1997; Winter, Fitzgerald, Heck, Haynes, & Danes, 1998). Nevertheless, each study has to explicitly state what is understood by the concept of a family firm as different definitions can lead to different findings (Hnilica & Machek, 2015). Thus, to clarify what we mean by a family firm, we quote Klein (2000): “A family business is a company that is influenced by one or more families in a substantial way. Influence in a substantial way is considered if the family either owns the complete stock or, if not, the lack of influence in ownership is balanced through either influence through corporate governance (percentage of seats in the board of directors) or influence through management (percentage of family members in the top management team). For a business to be a family business, some shares must be held within the family” (p.158).

As illustrated by Gersick, Davis, Hampton, and Lansberg (1997), family firms can vary, for instance, in their ownership concentration or stages of business development and hence, they are not homogenous. Two factors have been identified by previous studies which distinguish family from nonfamily firms and also differentiate among family businesses (Barnett & Kellermanns, 2006). The first factor results from the resource-based view (RBV) of a firm (Habbershon & Williams, 1999) and implies that what makes a family firm special is its so-called familiness. Familiness of a family firm is characterized as the bundle of resources and capabilities emerging from the interactions between the family unit, the individual family members, and the business (Habbershon et al., 2003). This overlap of the three entities makes family businesses unique and thus, familiness can lead to a competitive advantage (Chirico, Ireland, & Sirmon, 2011) as it differentiates a family firm from other family businesses (Nordqvist, Hall, & Melin, 2009) as well as from nonfamily firms (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001; Chirico & Salvato, 2008). Even though this theoretical perspective on familiness is useful for identifying its role in creating a competitive advantage (Zellweger, Eddleston, & Kellermanns, 2010), specific components of the concept are not contemplated in detail (Pearson, Carr, & Shaw, 2008). For instance, Habbershorn and
Williams (1999) use descriptive attributes of family firms to predict improved organizational performance without providing any scientific link, and also Chrisman, Chua, and Steier (2005) note that familiness is often not clearly specified. Hence, due to the broad nature of familiness, it is necessary to identify the unique family capabilities and resources which characterize an individual family firm when conducting research in a family business (Pearson et al., 2008).

The second factor which makes family firms unique, deals with the influence of the family on the business and its employees (Barnett & Kellermanns, 2006). It consists of the dimensions power, experience, and culture (Klein, Astrachan, & Smyrnios, 2005). Power refers to the control that a family has over the business through ownership and/or management, for instance, shares held by the family or participation in the governance of the firm (Top, Atan, Öge, & Dilek, 2013). Experience refers to the summed experience which a family brings into their firm and hence, the number of family generations that have been in charge of the business. This is because the more generations have been managing the firm, the more likely it is that relevant family memory has been deeply ingrained in the business (Murray, 2003). Finally, culture refers to family commitment, which consists of the overlap between business and family values as well as the alignment of the firm’s goals with family goals (Rutherford et al., 2008).

Since we are interested in the recruitment process within family businesses, a process that is likely to be affected by the extent of the family influence which characterizes a family firm (Barnett & Kellermanns, 2006), we will include the concepts of familiness as well as the dimensions of power, experience, and culture in our research. Klein, Astrachan, and Smyrnios (2005) combined these concepts as the familiness-power, experience, culture (F-PEC) scale to measure the family influence on a business. Considering that we will conduct a qualitative study, it is not possible for us to quantitively measure the dimensions of the F-PEC scale. Nevertheless, these dimensions will help us to formulate our interview questions and thus, to qualitatively investigate the recruitment processes within family businesses in more detail.

### 2.3 Underlying Culture and Values within Family Businesses

As noted by Schein (1995), culture is one of the most powerful and stable forces within an organization. It can support or hinder a firm’s strategy and is a foundational factor to both the business and family.

Researchers agree that culture in the context of family firms is even more complex than in nonfamily businesses as it consists of family values embedded in the history and social ties of the firm (Cruz et al., 2011). Consequently, literature in the field of culture and values within family businesses is quite rich and generally focuses on three aspects. Firstly, studies define what culture in the family business context is. Furthermore, they specify what culture can do for a family firm, and lastly, studies examine factors which shape culture and the effects culture can have on organizational processes (Fletcher, Melin, & Gimeno, 2012). Since there are quite many researchers who try to define culture within the family business context, there are various definitions. Most of them agree that culture is generally “[…] a shared and learned
world of experiences, meanings, values and understandings which inform people and which are expressed, reproduced and communicated in partly symbolic form” (Alvesson, 1993, pp. 2–3). Nevertheless, as discussed by Smircich (1983), there are two distinct approaches to culture. The first one focuses on culture at the organizational level (Ainsworth & Cox, 2003) and considers culture as a concept that can easily be changed and manipulated. Hence, this approach treats culture as a management tool which can be used to positively impact organizational performance (Alvesson, 1993). The other approach deals with culture at the family level (Carr & Bateman, 2010) and claims that culture is not a management tool, but is more holistic. Thus, instead of having cultures, organizations are cultures (Smircich, 1983). In this thesis, we will adopt the second perspective and define a family firm’s culture as “[…] the result of beliefs, values, and goals rooted in the family, its history, and present social relationships” (Hall, Melin, & Nordqvist, 2001, p. 195).

This definition incorporates various aspects of culture, namely beliefs, values, and goals, which shape an organization’s culture. Shared values and beliefs are the underlying and guiding principles about what the organization stands for and how it interacts with stakeholders (Sai Manohar & Pandit, 2014). Simon, Marquès, Bikfalvi, and Dolors Muñoz (2012) state that a family firm’s dominant values are the consequences of the embeddedness level of the family into the company. Family values can influence the business culture directly through implemented workplace practices or indirectly through the executive board, which typically reflects the family values. Hence, business culture can be explicit by clearly labelling the firm’s held values or it can be implicit by unspoken rules about how employees, customers, and other stakeholders are treated (Ransburg et al., 2016).

There are multiple reasons why it is good that culture is a key element in any family firm. As demonstrated by Denison et al. (2004), family businesses are more likely to have a positive culture built on long-standing values of the founder than nonfamily firms. A positive culture can be reflected in having a clear direction, better coordination of action, reduced complexity within the company, and a greater meaning for employees and stakeholders (Ransburg et al., 2016). In turn, having a positive culture can help to achieve a better organizational performance and longevity (Denison et al., 2004). Furthermore, since family firm cultures often emerge from the beliefs of the founder, they can be rather difficult to imitate, which creates a competitive advantage. Some family businesses even display their family-based values on their marketing materials in order to differentiate themselves from other family and nonfamily firms (Maguire, Strickland, & Frost, 2013).

Although some researchers point out the risk of only focusing on the founders in the cultural development process (Schein, 1995), there seems to be a rather high consensus in existing literature about their important roles in shaping a family firm’s culture (Neff, 2015). This is because the founders have a dominant role not only during the entrepreneurial stage, but possibly also during the stage of succession and hence, their motivations and values are considered to be powerful cultural drivers (Cruz et al., 2011). Furthermore, a founder’s original purpose, beliefs, and values can be transferred into future generations (Denison et al., 2004) and thus, shape stable cultural patterns in both the family and its business (Hall et
Such strong cultural foundations can positively impact a family firm’s performance and since families are viewed as some of the most reliable social structures to transmit cultural values across generations, family business cultures appear to be relatively resistant to change (Gersick et al., 1997). Nevertheless, family firms also need to stay flexible (Denison et al., 2004). The perspectives of the next-generation owners as well as managers will influence their leadership roles and consequently, the culture which can adapt to these new styles will be more likely to persist (Eddleston, 2008). Therefore, business culture is usually rooted in the family values of the founding generation, but is shaped by each successive generation of owners.

Moreover, other internal and external factors can influence a family firm’s culture (Martins & Terblanche, 2003). For instance, market opportunity can have an influence since a high-growth market is likely to foster a more dynamic culture than in mature markets, although this does not necessarily have to be the case (Ransburg et al., 2016). The industry or customer focus can also play a role as specific industries are usually associated with different values (Neal, 1995). Tech start-ups may be seen as having more risk-taking cultures or agricultural businesses as having more disciplined cultures. In a similar way, customer-oriented companies tend to have a higher people-focused culture than business-to-business companies (Ransburg et al., 2016).

The location of the firm as well as the dominant nationality of its managers, owners, and employees are other factors likely to influence its culture (Smith, 2016). For example, organizations based in China are known for having more formal and hierarchical cultures with a deep respect for older generations (Luthans & Doh, 2009).

The generational stage in which a family business finds itself, is also important since first and later generations of owners can have quite different mindsets, values, and approaches to doing business. While the founder generation has been more entrepreneurial with a strong focus on the family, later generations may try to establish a more professional structure with a greater focus on the business. Furthermore, the generational stage is related to the business size, which in this study is defined as small firms having between 5 and 69 employees, medium-sized firms as having between 70 and 249 employees, and large firms as having more than 250 employees (Wu, Hoque, Bacon, & Bou Llusar, 2015). Since firms in later generations are usually bigger, the need for professionalization through structure, processes, and policies to manage the increased number of employees can be explained (Sciascia, Mazzola, & Kellermanns, 2014). Generational cohort is a final factor which can influence the culture of a family firm. For example, owners who grew up during the time of the Great Depression in the 1930s typically have a different mindset than their children who grew up in a time period of growth. Thus, their interactions are influenced which in turn affects the organizational culture (Green, 2011). The mentioned internal and external factors that can shape a family firm’s culture are summarized in figure 1. While conducting our research, we will focus on the internal influences on family firm culture as they are most relevant for our research question and scope of the study.

Since the culture of a family firm often illustrates the close connection between the family and the business, private and professional roles are less separable. For instance, it is rather
difficult to only be a family member at home, while only being a manager at work (Hall et al., 2001). Thus, this distinctiveness of a family firm’s culture has an impact on the design and implementation of HR practices, such as recruitment. A certain family culture that is embedded in the family business may be more attractive for some potential employees and hence, the recruitment process of these candidates is influenced (Cruz et al., 2011). For example, it can be that family or nonfamily applicants value a more personal relationship between people in a company that is not only rationally oriented, but also entails elements like caring and friendship (Colli, 2003). Furthermore, family or nonfamily applicants might identify themselves with the owner’s legacy (Aronoff & Ward, 1995). Because the overlap between a candidate’s values and the organization’s culture and values, which is generally defined as P-O fit, is so important for recruitment processes within family firms, we will discuss this phenomenon in more detail throughout the next sections of the frame of reference.

![Diagram](image)

**Figure 1:** Internal and External Influences on Family Business Culture (Ransburg et al., 2016, p.36)

### 2.4 Human Resources Management within Family Businesses

Creating a successful HR function is not easy, although it is important for gaining a competitive advantage and hence, to guarantee an organization’s survival (Cascio, 1986; Peters, 1992). Competitive advantage can be achieved through financial, technological, and strategic means, but the most difficult to achieve source of competitive advantage stems from an improved management of people within the business (Ulrich & Lake, 1991). While effective HRM is important for any company, the unique interplay of the family unit, the individual family members, and the business causes family firms to experience several complex and interrelated issues (Clinton, 2016). For instance, Ransburg et al. (2016) suggest that HRM is even more important in family firms due to the following reasons. Firstly, family businesses often treat their workforce as family, no matter if they are really family members or not. This means that there is a greater need to handle HR issues and relationships with
respect and dignity (Clinton, 2016). Furthermore, the dynamics and interactions between the family members have an influence on the working and emotional environment of the business (Habbershon et al., 2003). This is because rational judgement and emotional attachment are intertwined in family companies (Sirmon & Hitt, 2003). While a business is generally considered to be rationale driven, family units and family relationships are often emotionally driven, which means that including family members in the company can increase the complexity of HR issues (Clinton, 2016). To name an example, it is often already difficult and emotionally draining to fire nonfamily employees, so such issues need to be dealt with family employees in a strategic and sensitive manner, while the family member’s performance is still objectively evaluated (Rosenblatt, deMik, Anderson, & Johnson, 1985). Another reason why successful HRM is even more important in family firms than in nonfamily firms, is that the family relationships as well as the reputation of the family are at risk and this in turn poses a risk for the business (Carlson, Upton, & Seaman, 2006). Poorly dealt with HR issues can have a negative impact on the family entity, for instance, when lawsuits are brought against another family member. Naturally, this can also have devastating effects on the family business (Litz & Turner, 2013). Often, the fortunes of the family are completely invested in their company and in order to keep getting a positive income flow, the value of the organization needs to be maximized, which can only be done if the HR function is properly aligned (Ransburg et al., 2016).

Even though HRM is so important for the survival of a family firm, much of the existing family business literature has focused on topics such as family relationships, wealth transfer, or succession. This is especially problematic since any family business of a significant size relies on the quality of nonfamily as well as family talent to ensure continuing growth and success (Clinton, 2016). Notable exceptions of authors who offer knowledge about HRM in the family business context are, for instance, Astrachan and Kolenko (1994); Carlson, Upton, and Seaman (2006); De Kok, Uhlaner, and Thurik (2006); as well as Cruz et al. (2011). Astrachan and Kolenko (1994) provide empirical evidence for the importance of HRM practices when it comes to the success and survival of family firms. Carlson et al. (2006) empirically examine the consequences of five HRM practices on the sales growth performance of family firms, while De Kok et al. (2006) predict that companies with family management and/or ownership are less likely to implement professional HRM practices. Finally, Cruz et al. (2011) propose that the unique presence of socioemotional wealth (SEW) within family businesses impacts their HR practices in how nonfamily and family employees are selected, trained, compensated, evaluated, and retained. This is because family firms tend to prefer noneconomically motivated objectives and thus, decisions regarding HR practices are less financially driven than in nonfamily businesses (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007).

The findings of this existing literature demonstrate that the family dimension influences the way in which a firm attracts, selects, trains, motivates, and involves its employees in the company (Cruz et al., 2011). Nevertheless, most of the literature on HR practices and policies within family businesses is rather scarce and fragmented (Clinton, 2016). Those studies which do focus on this area are mostly descriptive and empirically driven, and often do not offer theoretical explanations for the family dimension’s impact on HR practices. Moreover, in
many cases, the empirical evidence provided is inconclusive or contradictory. Cruz et al. (2011) name two factors which lead to this inconsistency of results. As noted earlier, there is a variation in definitions of family businesses (Cucculelli & Micucci, 2008) and hence, there is a lack of consistency in classifying family businesses (Astrachan, Allen, Spinelli, Wittmeyer, & Glucksman, 2003). Secondly, since most family firms are not publicly traded, it can be problematic to gather data on these businesses. Consequently, researchers often find it difficult to identify the source of distinctiveness of a family company (Hoy, 2003).

Taking the outlined limitations into consideration, two sets of empirical studies dealing with HRM within family businesses can generally be found in existing literature. The first one is comparing HR practices of nonfamily and family firms, while latter set addresses differences in HR practices among family businesses (Cruz et al., 2011). The first set is based on the assumption that organizational characteristics impact the company and attributes differences in HR practices used by nonfamily and family firms partly to variations in firm size. The majority of family businesses is smaller and thus, has fewer resources available and is less complex than nonfamily firms. Therefore, a lot of evidence about HR practices within family businesses stems from studies focusing on SMEs. Existing literature shows, for instance, that smaller companies use less formalized recruitment practices (Aldrich & Langton, 1998) and provide less training to employees (Koch & McGrath, 1996). Another reason why the use of HR practices differs between family and nonfamily firms is the unique impact that the family unit has on the business (De Kok et al., 2006). Even though studies show that both family and nonfamily businesses adopt more formalized HR practices when they grow, family firms generally still use less complex and formal HR practices than nonfamily firms (Reid, Morrow, Kelly, Adams, & McCartan, 2000). Moreover, due to their noneconomically motivated objectives, family firms’ SEW influences their behavior, including HR practices (Gomez-Mejia, Nuñez-Nickel, & Gutierrez, 2001; Sirmon & Hitt, 2003). This influence of family firms’ SEW on HR practices, especially on recruitment, will be examined in greater detail later on.

The other set of studies has addressed differences in HR practices among family firms and mainly focused on differences between nonfamily and family employees (Cruz et al., 2011). For example, Astrachan and Kolenko (1994) identified significant differences in HR practices for nonfamily and family employees, while Aldrich and Langton (1998) found out that the more family members work in the business, the less formal HR practices are used. This review of existing literature shows that there are differences in the use of HR practices between family and nonfamily firms as well as among family businesses. In the next section, we will now focus more on a single HR practice, namely recruitment.

2.5 Fundamental Characteristics of Recruitment Processes

Our thesis focuses on the first stage of the HR life cycle which is recruitment. To further narrow our study, we limit the discussion to the topic of external recruitment (hereafter simply referred to as recruitment), which means attracting suitable applicants for a job who are not yet employed by the company (Taylor & Giannantonio, 1993). According to Barber (1998), defining recruitment by its intent rather than by its effects is more appropriate, while Taylor
and Collins (2000) argue that employee retention as the objective of recruitment also needs to be included in an appropriate definition. Hence, we define recruitment as follows: “Recruitment includes the set of activities undertaken by the organization for the primary purpose of identifying a desirable group of applicants, attracting them into its employee ranks, and retaining them at least for the short term” (Taylor & Collins, 2000, p. 5).

Barber (1998) presents a model of the recruitment process with three distinct recruitment phases. In the first stage called “Generating Applicants”, the company tries to attract a sufficient number of candidates to choose for the job. It is important that the firm decides on a target applicant group and what communication tools it uses to attract this targeted group of candidates (Ma & Allen, 2009). As identified by Rynes (1989), the applicants’ intention to accept a job offering can be impacted very early in the recruitment process. Thus, the way in which the company approaches candidates can impact the applicants’ perception of the firm’s attractiveness. Since the choice of recruitment sources can influence the organization’s attractiveness, the key question in this phase is about what recruitment sources and materials the company should make use of to get the most desirable reactions from applicants (Barber, 1998). After having successfully attracted applications from candidates, the second stage of the recruitment process called “Maintaining Applicant Status” begins. In this stage, the organization’s recruiters may conduct first face to face interviews to gather more in-depth information about the potential employees. As stated by Barber, Hollenbeck, Tower, and Phillips (1994), one third of candidates decide to withdraw from the recruitment process after interviews with the company. Hence, this stage is very important for effective recruitment and for the business it is crucial to persuade the best applicants to choose the organization as other firms are often also interested in hiring those promising applicants (Ma & Allen, 2009). Consequently, two important outcome variables of this stage are organization attraction and acceptance intentions of the candidates (Chapman & Zweig, 2005). In the final stage of the recruitment process called “Influencing Job Choices”, the business offers the job position to the best applicant who then has to take a decision to accept the offer or to decline it (Barber, 1998).

When reviewing existing literature about recruitment, Barber (1998) and Rynes (1989) stand out as two of the main authors published in the 1990s who indicate that the majority of the recruitment research has focused on the individual rather than the organizational level of analysis (Barber, 1998; Rynes, 1989). This means that the majority of the existing recruitment literature has focused on applicants and their reactions to recruitment rather than on companies and their performances in relation to recruitment (Taylor & Collins, 2000). Those studies which have examined the impact that recruitment activities have on organizational performance, have found a positive correlation between implementing appropriate recruitment strategies and organizational performance (Delaney & Huselid, 1996; Huselid, 1995; Huselid & Becker, 1997; Koch & McGrath, 1996; Terpstra & Rozell, 1993; Williams & Dreher, 1992).
Taylor and Collins (2000) have explored how recruitment contributes to an organization’s sustained competitive advantage in accordance to the five dimensions of Barney and Wright’s (1998) RBV, namely value, rareness, imitability, substitutability, and organization. Firstly, a firm’s recruitment systems can create value by reducing staffing costs through improving the quality of the applicant pool and the assessment of their own recruitment activities. Making hiring mistakes by not looking in the right places, not attracting the right people or attracting the wrong people means failing to recruit high-value employees (Ransburg et al., 2016). Estimations done by the American Management Association indicate that employee turnover costs can be 25%-250% of the exiting employee’s salary and this number can quickly increase if the departing employee was working in a management or executive level job (American Management Association, 2017; Baylor, 2006). Therefore, getting recruitment right in the first place helps to create value for the organization (Ma & Allen, 2009). Furthermore, a suitable recruitment system may also create value indirectly by attracting employees who increase the differentiation of the firm’s products or services. Finally, strong recruitment systems may create value through developing a good reputation for the company and hence, making it easier to recruit skilled employees (Chrisman, Chua, & Zahra, 2003). An organization’s recruitment practices also help the firm to attract and potentially retain employees who possess rare attributes and skills which employees of the firm’s major competitors do not possess (Sirmon & Hitt, 2003). Using a combined set of recruitment activities makes it difficult for competitors to imitate valuable and rare HR characteristics and thus, allows the firm to increase its competitive advantage in the long-run (Taylor & Collins, 2000). By investing in the development of suitable recruitment systems and by being willing to replace not appropriate recruitment practices if necessary, organizations may be able to forgo threats from competitors who search for substitutable recruitment activities (Ransburg et al., 2016). At last, firms have to be organized in order to make full use of their valuable, rare, and inimitable recruitment practices. Consequently, there needs to be a consistency between, for instance, recruitment and compensation systems used. If recruitment practices target team-oriented employees while individual work is rewarded, a firm’s ability to fully utilize the skilled employees who it can recruit is compromised (Taylor & Collins, 2000).

To shortly summarize, this section shows that existing studies have found a positive impact of appropriate recruitment practices on organizational performance and have also provided an explanation of how a firm’s recruitment practices can contribute to its sustained competitive advantage in terms of the five RBV dimensions.

Furthermore, authors like Kuvaas (2008) have classified the HR practices of recruitment, selection as well as training and development as skill-enhancing practices, since they aim at increasing the collective knowledge, skills, and abilities (KSAs) of the workforce within an organization. When it comes to recruitment, Gomez-Mejia, Balkin, and Cardy (2012) suggest that companies need to answer four questions. Firstly, what methods will the organization use to recruit new employees? Secondly, when deciding who to hire, what employee and job characteristics should be examined and how should they be examined by the business? Thirdly, in addition to examining how a potential employee fits with the job, do managers also need to consider how he/she fits with the culture of the firm? Lastly, who should make
the decision to hire the new employee? (Gomez-Mejia et al., 2012). Existing literature shows that, as an answer to the first question, organizations may use formal or informal recruitment methods. Informal methods make use of interpersonal channels which were not specifically established for the purpose of job matching (Cruz et al., 2011). Formal recruitment practices typically mean that the company is publishing available job openings, gathers information about suitable candidates through job applications, assembles more detailed information about the applicants through interviews, and eventually targets and selects the most suitable candidate for the job (Ma & Allen, 2009). The second and third question are about whether the firm values employee fit with the job or employee fit with the organization (Cruz et al., 2011). While the person-job (P-J) fit emphasizes the match between the employee’s KSAs and job demands (Ployhart, Schneider, & Schmitt, 2006), P-O fit assumes that employees will be most successful in companies that share their values and personalities (Kristof, 1996).

With regard to the last question about who should make the final selection decision, research suggests that the HR department of a company usually makes these staffing decisions. Sometimes, but less frequently, a selection decision can also be made by top managers or the founder (Cruz et al., 2011).

2.6 Recruitment Processes within Family Businesses

As demonstrated by existing literature, there are several explanations why recruitment appears to be especially relevant for family firms (Cruz et al., 2011). Most family companies tend to consider their family members as potential employees, especially when they intend to maintain their family ownership over several generations. This is the reason why in many cases, family candidates may have been somehow involved in the business from an early age on (Couture & Matajira, 2015). In other cases, families have tried to prevent next generation family members from joining the company. Dealing with these sensitive issues appropriately is key since failing to develop good recruitment practices for family members can negatively impact the family trust and relationships (Kidwell, Kellermanns, & Edleston, 2012). A second reason why implementing appropriate recruitment systems is even more important for family firms, is that they often treat their employees as family. Thus, recruiting and hiring the right people is important for all stakeholders (Ransburg et al., 2016). As demonstrated by Van Gils, Dibrell, Neubaum, & Craig (2014), family firms often also have strong reputations in their communities where they are located. They may have employed several generations of staff from the same family and it can be that their names are featured on products or foundations. This means that family firms, especially when they have a high family involvement, are “[…] more likely to have a stronger commitment to their community, greater community support, and a deeper sense of community within the community where their business [is] located” (Van Gils et al., 2014, p. 196). As a result, recruiting new workers can have a positive or negative effect on a family firm’s local reputation, which makes it a more sensitive issue for them. Furthermore, family businesses tend to have a deeply ingrained culture which is influenced by highly personal family values. Hence, having an alignment between the culture and values among the firm and workforce is very important for the individual and organizational performance (Edwards,
2008). That means recruiting practices have to consider the culture and values of the organization to ensure an employee fit (Cruz et al., 2011). The compatibility between the employees and the organization they work (P-O fit) (Kristof, 1996) is a highly relevant concept when researching recruitment within family businesses. Thus, we will discuss P-O fit in more detail in a later paragraph. As a final argument, Tanova (2003) indicates that many family businesses, even though their overall HR function might be better organized, take a more reactive approach to recruiting as they do not invest sufficient effort, time, and money into the recruitment process and then often have to suffer the consequences. This is because many family firms are convinced they can fill vacant positions with family members which can lead to the negative consequence of hiring someone who does not possess the required KSAs for the job (de Vries, 1993).

In order to take a more proactive approach to recruiting, Ransburg et al. (2016) suggest that family firms should make use of a reverse-funnel approach (see figure 2). They claim that the traditional recruitment approach, such as the one by Barber (1998) which was illustrated above, is often a funnel-like process where there is a large pool of potential candidates, the recruiters use a set of criteria to arrive at a smaller number of applicants who are then interviewed or put through other assessment exercises, until one applicant is finally hired. Instead, the authors’ reverse-funnel approach puts emphasis on upfront thinking by firstly acquiring an understanding which candidates are the right ones to assess and then opening the process for potential workers. This involves posing questions about what is best for the business and for the family, and afterwards making use of these answers to identify potential employees from the two pools of family and nonfamily candidates. Even though these two pools of family and nonfamily candidates differ from each other, the recruiting approaches to them are related and they should support each other (Ransburg et al., 2016). Approaching the pool of family candidates means attracting family members who have the right skills for the job but it also means managing family members who would like to work for the company yet lack the necessary skills for the job. It is important to avoid any form of nepotism which is defined as a “[…] preferential selection in which family members of those who are employed by an organization are given preference in the hiring process” (Padgett et al., 2015, p. 283). Approaching the pool of nonfamily candidates means understanding which candidates fit to the family firm’s culture as well as values and knowing where to find such candidates. The overall goal is to create an effective and efficient recruitment process that focuses on both family and nonfamily candidates without only relying too much on either one of them (Memili & Welsh, 2012). This is because relying too much on family candidates can bear the risk of having to hire someone who is unqualified for the job, which is not only harmful for the business, but can also reduce the motivation and performance of other nonfamily employees as their justice perception of HR practices is reduced (Barnett & Kellermanns, 2006). On the other hand, avoiding to hire family members can unfairly exclude qualified family candidates and means missing out on family employees who understand the firm’s culture as well as values and can help to preserve these features over several generations (Anderson & Reeb, 2003; Cabrera-Suárez et al., 2001). Consequently, the best recruitment approach appears to entail a mixture of both family and nonfamily candidates, as long as they
fit to the family firm’s culture and values (Memili & Welsh, 2012) and thus, guaranteeing a P-O fit.

As illustrated in a previous section of this paper, there are generally two sets of empirical studies in existing literature which examine HRM within the family business context. These sets deal with HR practices in family vs. nonfamily firms as well as differences in HR practices among family businesses and can be connected to individual HR practices (Cruz et al., 2011). Research about recruitment within the first set also addresses the issue of family vs. nonfamily employment, as it was done by Ransburg et al. (2016). This research indicates that family businesses have a tendency to lack clear criteria for recruiting employees, especially for management positions and thus, friends and family are often employed based on personal referrals (Gersick et al., 1997). Also research from authors like Cruz, Justo, and De Castro (2012) as well as Dyer and Mortensen (2005) highlights the importance of family employment. Nevertheless, as Cruz, Gómez-Mejia, and Becerra (2010) show, the level of nonfamily employment for management positions increases with the size of the company.

When examining individual HR practices like recruitment, empirical studies have also identified differences among family businesses. For instance, there can be differences in addressing individual needs of family employees while the needs of nonfamily employees might strictly be treated as firm-specific HRM issues (Cruz et al., 2011; Matlay, 2002).

Cruz et al. (2011) connect recruitment to the concept of SEW and propose that family businesses less frequently make use of formal recruitment methods as they wish to ensure a fit between the employee and the organization. Formal recruitment practices such as formal interviews or the use of assessment centers have been found to be most effective for obtaining a better P-J fit because these methods help to reach more potential applicants (Hunter & Schmidt, 1982). On the other hand, formal recruitment practices may not be as effective for achieving a better P-O fit (Gorter & Ommeren, 1999). This is because informal recruitment practices are more likely to focus on a narrower amount of applicants who share the culture and value of the family (Behrends, 2007). The use of formal or informal recruitment practices is also found to be impacted by firm size (Barber, Wesson, Roberson, & Taylor, 1999). Whereas research has mainly focused on large organizations (Tanova, 2003), small firms have been overlooked. It was shown that larger organizations are more likely to have formal recruitment procedures in place (Saari, Johnson, McLaughlin, & Zimmerle, 1988). However, Tanova (2003) notes that recruitment methods also vary among different industries. For example, informal methods have been preferred in the manufacturing sector while formal methods were more present in the high technology sector. Small businesses on the other side, have a tougher position, especially in attracting high quality employees because commonly they cannot rely on their name, their reputation or their market share (Williamson, 2000; Tanova, 2003). Small businesses cannot compensate the loss of high quality employees with their internal labor market either and thus, need to replace them with employees from the external market (Tanova, 2003). Due to their size and reputation, the pool of applicants is frequently much smaller than in large organizations (Barber et al., 1999). The differences in size and resources of companies can be used to create a competitive advantage because
through effective recruitment, firms have an influence on the success and longevity of the business (Tanova, 2003).

Furthermore, Cruz et al. (2011) indicate that family firms are more likely to put emphasis on social networks in the recruitment process because they use SEW as a frame of reference. Due to a possible provision of misleading information during the recruitment process, it can be rather difficult for the company to get an insight about the candidate’s fit with the organizational culture and values. Thus, family managers or owners might be more concerned about knowing in advance how well a person will fit to the organization (Cruz et al., 2011). Using its social networks for recruitment can be an excellent way to transfer information between the company and the potential employees (Montgomery, 1991) and it can also help the family to attract potential employees who they already know and who share similar values. Because of this mutual attraction on the basis of perceived similarity, people who are recruited through social networks are believed to have a better alignment with the organizational culture and values (Leung, 2003).

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Figure 2: Reverse-Funnel Approach for Recruitment in Family Firms (Ransburg et al., p. 63)
2.7 P-O Fit and its Influence on Recruitment Processes within Family Businesses

The last section of our frame of reference deals with the P-O fit and its influence on recruitment processes within family firms.

The overall person-environment (P-E) fit is a concept which has been discussed for many decades in existing literature (Muchinsky & Monahan, 1987; Shipp & Jansen, 2011; Werbel & Gilliland, 1999). Generally, P-E fit is characterized as a “[…] congruence, match, or similarity between the person and environment” (Edwards, 2008, p. 168). The specific types of P-E fit can be categorized into the needs of a person and rewards offered by their environment (Porter & Lawler, 1968), the demands of the environment and a person’s abilities (Shirom, 1982), and finally, the similarity between a person and their social environment, which can refer to groups, individuals, or organizations (Chatman, 1989; Meglino, Ravlin, & Adkins, 1989). As illustrated by authors like Borman et al. (2003), P-E fit is crucial for recruitment and selection as these two stages of the HR life cycle are concerned with matching a person with a job in a company. Relevant theories of recruitment and selection which explicitly incorporate P-E fit are Wanous’ (1980) Matching Model, Breaugh’s (1992) Person-Job Congruence Model, and Werbel and Gilliland’s (1999) Facet Model of Fit. Only the last model though incorporates a type of P-E fit that compares the person to the organization, namely P-O fit. Werbel and Gilliland (1999) define P-O fit as “[…] the congruence of applicants’ needs, goals, and values with organizational norms, values, and reward systems” (p.217). As stated in existing literature, family businesses are more likely to recruit employees on the basis of P-O fit than, for instance, P-J fit due to their wish for SEW preservation (Cruz et al., 2011). While P-J fit is essential to ensure that new employees perform the job effectively, a family firm’s SEW implies that they try to hire people who will share the organizational values and culture (Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016). Hence, P-O fit is most important for our research since family firms often have an embedded culture influenced by their family values, which means that recruiting practices in family businesses need to strive for an alignment between the culture and values among the organization and its staff to guarantee an employee fit (Swider, Zimmerman, & Barrick, 2015).

Achieving a high level of P-O fit through recruitment practices is often seen as key to retain employees who are flexible and committed to the organization, which is immensely important for meeting competitive challenges (Kristof, 1996). However, as proposed by Cruz et al. (2011), it may be necessary for family firms to hire someone who has less job-specific knowledge and capabilities in order to guarantee P-O fit, the preservation of their SEW and thus, their long-term interests. Family companies with SEW are more likely to assume that a lower P-J fit can be addressed after the recruitment stage with the help of on-the-job training, while a low level of P-O fit is rather difficult to address after the selection stage and may damage the SEW (Cruz et al., 2011).

When including the concept of P-O fit as a research topic, one has to keep in mind that there are multiple conceptualizations of P-O fit in existing literature. The first distinction is between complementary and supplementary fit. Complementary fit occurs when an employee’s characteristics add something to the organization that it was missing before (Muchinsky &
Monahan, 1987). The supplementary fit, however, occurs when a person “supplements, embellishes, or possesses characteristics which are similar to other individuals’ in an environment” (Muchinsky & Monahan, 1987, p. 269). Another perspective on P-O fit is the distinction made between needs-supplies perspective and the demands-abilities perspective (Edwards, 1991). The first perspective implies that P-O fit occurs if a person’s needs, desires, or preferences are satisfied by the organization. Contrary to this, the demands-abilities perspective proposes that P-O fit occurs if a person possesses the required abilities to fulfill the organizational demands (Edwards, 2008). As explained by Kristof (1996), it is necessary to specify which conceptualization of P-O fit is investigated in order to conduct an appropriate study. To do so and to get a clearer understanding of the various conceptualizations of P-O fit, we have included a figure which illustrates their differences. This figure shows that the supplementary fit (see arrow A in figure 3) represents the compatibility between the organization’s characteristics of culture, values, norms, goals, and climate and the person’s characteristics of values, personality, goals, and attitudes (Kristof, 1996). With the help of figure 3 it becomes clear that our study will be guided by the underlying conceptualization of supplementary fit since it appears to be most relevant when investigating recruitment processes within family businesses which place high value on their family culture.

Even though there is a rather scarce amount of literature available which deals with P-O fit specifically in terms of recruitment practices, Cruz et al. (2011) come up with following propositions, which were already discussed in greater detail in the section about recruitment processes within family businesses. “Because family-owned firms are more likely to use SEW as a frame of reference, they are less likely to rely on formal recruitment methods” as well as “Because family-owned firms are more likely to use SEW as a frame of reference, they will tend to emphasize social networks in the recruiting process” (Cruz et al., 2011, p. 190). Moreover, Chatman (1989) comes up with following propositions: “Potential recruits who either initiate or are asked to spend more time with an organization and who are involved in a variety of organizational activities (e.g., interviews, phone calls, receptions) before being hired will have profiles of values similar to those of the firm upon entry” as well as “The behavioral outcome of high person-organization fit at entry will be that the person conforms to the pivotal norms of the organization” (Chatman, 1989, p. 345). Nevertheless, it has to be noted, that Cruz et al. (2011) also predict family firms to compromise SEW as a criterion for HR practices if their performance is low or when they face major competitive threats. For instance, family firms might be more willing to recruit and hire outsiders in the hope that these people can help them with specialized knowledge and skills to change the negative situation (Memili & Welsh, 2012). Furthermore, the emphasis on SEW preservation seems to decrease as the business moves through several family generations (Gómez-Mejía et al., 2007) because the level of family influence and identification changes from one generation to another (Schulze, Lubatkin, & Dino, 2003). Based on that, Cruz et al. (2011) argue that decisions about HR practices can become more financially driven as the business transitions from the family founder to an extended family and professionally managed firm and hence, the family influence on HR practices decreases.
As these propositions demonstrate, existing literature implies that including the concept of P-O fit in the recruitment process will lead to the outcomes of organizational commitment, organizational satisfaction, as well as retention (Edwards, 2008). Apart from analyzing the culture, values, and SEW of family firms, it is also important for researchers to consider the history and background of a family business when studying its recruitment process since the decision-making regarding HR practices can change as the firm transitions to next generations.

![Figure 3: Multiple Conceptualizations of P-O Fit (Kristof, 1996, p.4)](image-url)
3 Methodology

The third chapter discusses the choice of methodology and determines the specific approaches/techniques for collecting primary and secondary data. Subsequently, the data collection process is presented as well as how the data will be analyzed.

3.1 Constructionism/Interpretivism Research Philosophy

An appropriate research design begins with making a choice regarding the research philosophy, which can endorse and support the decision about the research strategy used as well as the methods we will decide on as a part of the strategy. Epistemology, which is a branch of philosophy and is described as the theory of knowledge, represents “the best ways of inquiring into the nature of the world” (Easterby-Smith, Thorpe, & Jackson, 2015, p. 15). Within the branch of epistemology we can essentially draw on two main philosophical stands, identified as positivism and constructionism (Easterby-Smith et al., 2015).

Positivist work seeks to identify those details where propositions can be tested (Lin, 1998). Its main conception is that the social world exists externally and that the properties of it can be measured when applying objective methods rather than subjectively inferring results through sensation, reflection or intuition (Easterby-Smith et al., 2015). Constructionism, precisely social constructionism, as historically examined and developed by authors such as Berger and Luckman (1966) and Shotter (1995), puts emphasis on the ways in which people make sense of the world, especially by using the medium of language (Easterby-Smith et al., 2015).

Social constructionism is also known as interpretive work and poses a difference in the way one asks questions of the data and the type of conclusions which are desired to draw (Lin, 1998). As part of constructionism and its core ideology, it is necessary for the researcher to understand and embrace the differences between humans as the role of social actors. Although researchers are actively involved as the one posing the questions, they are simultaneously the observers and generators of theory when analyzing the empirical findings.

Taking into consideration the analysis of the two philosophical approaches, as well as the main purpose of the research paper being to understand the subjective meanings and strategies of the recruiting process within family firms, this thesis will build upon the constructionism/interpretivism approach. Through this choice of research philosophy, we will be part of the subject being researched and can actively design the methodology to obtain the desired data. This will also increase our understanding and further help us to infer reasonable conclusions.

When an appropriate research design based on the preferred philosophical positions is chosen, in our case as mentioned the constructionism/interpretivism approach, the next step is to consider the types of data to be collected. Primary data can be collected, which is executed by the researchers themselves for a specific purpose. Secondary data can be used as available data already gathered by someone else for a similar or other purpose. Taking our research purpose into consideration, it is necessary for us to collect both primary data about the recruitment process of family firms, but also secondary data so that the individual history and background of each company can be included in the analysis.
It should be mentioned though that both primary as well as secondary data can have advantages or disadvantages. Advantages of using primary data can be that the researcher collects specific data for the research problem/question, there is less doubt about the quality of the data, and it may be possible to obtain additional data during the research period. Nevertheless, collecting primary data can be time consuming, costly or difficult in terms of ethical considerations such as consent or permission (Drroopesh, 2013). Secondary data bears the advantage that it is already available, it is less expensive, and the researcher is not personally responsible for the quality of the data. On the other hand, the researcher cannot decide on what specifically is collected, cannot prove the good quality of data, and is in most cases unable to obtain additional data for clarification (Drroopesh, 2013).

While secondary data (such as company reports and letters) is often used to complement primary data (such as interviews), primary data can lead to new insights and greater reliance in the outcomes of the research (Easterby-Smith et al., 2015). By collecting both primary as well as secondary data we are able to minimize the possible disadvantages and can benefit from the advantages of both data forms.

3.2 Abductive Research Approach

After having chosen a suitable research philosophy, the research approach needs to be determined. In doing so, two main different research approaches can be applied and distinguished when research is conducted. They are defined as the deductive approach and inductive approach.

Deductive reasoning consists of developing a theory from a hypothesis. The hypothesis is tested and as a result, the findings can be validated or they may even modify the initial theory. However, the main goal of the deduction approach is to generalize the results using statistical quantities (Saunders et al., 2009). In contrast to this, the inductive approach aims at the development of a theory by interpreting results from the analyzed data. The initial goal of such an approach is to reach a better understanding of the nature of the problem. Evidently, this may imply a smaller sample of respondents, but can provide better compatibility with qualitative data (Saunders et al., 2009).

Both of the two approaches do not perfectly fit to our proposed study, hence we make us of a third approach named the abductive approach. This approach is commonly combined with the interpretivist view (Kovács & Spens, 2005). It makes use of both deductive and inductive approaches and enables the researcher to understand a new phenomenon through a constant movement between theory, framework, and data sources (Kovács & Spens, 2005). In our study, we are not testing a hypothesis nor do we apply an immutable framework. Generalizing our findings to other businesses is not in our intention either and thus, we will use an abductive approach to understand the “how” in our research question and sub questions. As described in the frame of reference, people within family firms are treated and cared for in many different ways. Therefore, family firms have developed their own strategic processes and goals to find and recruit certain employees to ensure their viability in the future. For this reason, we will conduct a non-numerical as well as subjective qualitative study and build this
thesis on an abductive approach to achieve a deeper understanding of our interviewees’ perceptions, choices, and consequences of their actions.

3.3 Exploratory Research Design

“We consider that good research design is fundamental to achieving high-quality research [...]” (Easterby-Smith et al., 2015, p. 8), while the goal of research as well as the way the research question is presented determines the purpose of the research. According to Saunders et al. (2009), there is a threefold classification of the research purpose, namely exploratory, descriptive, and explanatory. This thesis and research aims at investigating family firms’ recruiting procedures that help them to find suitable employees who are also fitting to the underlying culture and values of the business. Hence, a case study method with multiple interviews, which will be further explained in the next section, based on an exploratory research design is chosen.

An exploratory study relates to finding out what is happening in the field of research, is seeking new insights, and is useful when the researcher needs more clarification about the nature of the problem to better understand it (Saunders et al., 2009). The advantage of exploratory research hereby is that it is flexible and adaptable to change. The exploratory design allows us to preserve a certain degree of flexibility regarding the direction of the study (Adams & Schvaneveldt, 1991). Furthermore, it permits us to start from a broad perspective in the beginning and narrowing it down over time as more knowledge is acquired, for example through interviewing experts in the field (Saunders et al., 2009). Adams & Schvaneveldt (1991) reinforce this point by saying that exploratory research must not mean the absence of direction, instead the research initially commences in a broad perspective and progressively narrows down with the progress of the study. With this being said, exploratory design will form the major tool to gather information for this thesis.

3.4 Multiple Case Study Research Method

As briefly mentioned before, the method for conducting this research is set to a multiple case study, which means that several companies will be interviewed and studied to get a more holistic and reliable understanding of the recruitment process within family businesses (Bryman & Bell, 2015).

Choosing an appropriate research method is of profound importance because it links the design to the techniques and procedures being used in order to obtain, evaluate, and assess the gathered information. When a case study is put in the interpretivism context, knowledge is constructed rather than revealed (De Massis & Kotlar, 2014). As we explained before, our aim is not to scientifically generalize our findings. Using a multiple case study approach allows us to get a more holistic view of our topic since we can analyze each case company individually, but also conduct an analysis across the case companies (Baxter & Jack, 2008). Furthermore, a multiple case study also helps to potentially challenge existing theoretical knowledge and to create new theoretical ideas (Yin, 2013).
The case study is the most used form in family business research to obtain qualitative data (De Massis, Sharma, Chua, & Chrisman, 2012). Case studies are particularly important for family business research questions given the family relationships and business issues which are typically not separable in making decisions (De Massis & Kotlar, 2014). In this respect, a multiple case study design is a well-suited method for us, which relies on several sources of evidence that can be converged in a data triangulation afterwards. The triangulation of data means that different types of data sources, such as primary and secondary data, are applied (Yin, 2013). It also strengthens the validity of the whole construct and study while it can help to render the participants’ perspectives accurately (Yin, 2013). Therefore, we will rely on multiple case studies in the form of qualitative interviews (primary data) and collected textual data (secondary data). With this, we expect to gather proficient qualitative data in order to draw valuable conclusions in regard to our research question while contributing to the family business literature and practices.

3.5 Primary and Secondary Data Collection

The data collection consists of both primary and secondary data. As seen in the frame of reference, this thesis uses secondary data first, which is information that already exists in the form of journals, scientific literature or similar publications (Easterby-Smith et al., 2015). This form of data collection is used to form a basis of information about the research area and to review the existing knowledge and research in the desired field. In addition to this, we will also collect secondary data in the form of company brochures or other available information from the case companies’ websites. This allows us to get a deeper understanding of the history, background, and culture of each family business, which is important for answering our research and sub questions. Furthermore, we will interview five family businesses to gather primary data about their recruitment process.

Theory often separates the usage of primary and secondary data, however, the combined application of both in practice is common and appropriate for our research. We make use of the triangulation of information, which is the validation of data through cross verification from two or more sources (Easterby-Smith et al., 2015), because it will help us to underline findings and enhance the credibility thereof. With this triangulation, we will be able to collect sufficient information to draw appropriate conclusions. Consequently, we expect that interviewing five companies additionally to analyzing their secondary data is appropriate for our research purpose.

26
3.6 Semi-Structured Interview Design

Research has found out that managers are more likely to agree to an interview than completing a questionnaire, especially if the topic correlates to their current work (Saunders et al., 2009). Conducting qualitative interviews provides the respondents with the possibility to convey knowledge or ideas in an easy without having to write them down. Important when carrying out interviews is the appropriate behavior by the researchers so that insinuated bias through gestures or mimics can be avoided at all times (Saunders et al., 2009). The interview courtesy must also be kept in mind, which is defined as a respectful and appreciative tone during the conversation and interaction (Bailey, 2007).

Turner III’s (2010) qualitative interview design guide describes and explains various modes of interview designs in order to obtain rich data. These are informal interviews, semi-structured interviews, and standardized open-ended interviews. Informal interviews are used to explore a general area in-depth without preparing a predetermined list of questions to work through. Standardized interviews are extremely structured with regard to the wording of the questions (Turner III, 2010). Here, the researcher reads out each question and then records the response, which regularly comes in an already pre-coded answer (Saunders et al., 2009). Consequently, this interview style does not offer much room for flexibility. A semi-structured interview appears to be the best interview design for our research purpose as this design enables us to include specific questions about our main topic of recruiting suitable employees in family businesses, yet also allows for a certain flexibility during the interviews by asking follow-up questions whenever necessary (Gall, Gall, & Borg, W. R., 2003). In this way, we can involve a timeframe of when the family business was established and changed over time with regards to the underlying culture and values. This is important to know for examining the recruitment process for management positions in these five family businesses. It is worthwhile to analyze how viewpoints vary and what focus areas are put in play by these firms when identifying and choosing the right applicants for a job position. The semi-structured interview style helps us to lead the interview in an appropriate way by covering all important questions and gives interviewees the opportunity to discuss more freely as well as to emphasize topics which are important to them (Bryman & Bell, 2015). With this style, the wording of the questions depends upon the researcher who conducts the interview (Turner III, 2010). Characteristically, the researcher will have a list of themes and questions to go through, however, these may vary from interview to interview (Saunders et al., 2009). Hence, particular interviews given a specific organizational context that is encountered can require to omit or add some questions in relation to the research topic (Saunders et al., 2009). With this being said and keeping the purpose of our thesis in mind, semi-structured interviews are selected for the case studies in five different organizations. The questions will be worded in a way which permits open-ended answers of the participants. Furthermore, the questions may slightly change due to the setting of the family firm and can be switched when this is required by the flow of the interview. The core of the questions regarding the recruitment process will remain the same for the participants. Nevertheless, questions regarding the history of the business and the aforementioned concepts of power, experience, culture, as well as familiness might change depending on whether family executives take part in the interview.
or nonfamily HR personnel. The interviews are constructed in a way that will lead to a timeframe of 30 to 60 minutes. When conducting interviews, it has to be kept in mind though that the degree of details and openness in the responses always depend on the participants themselves, ethics, consent, atmosphere of the interview, compliance rules of the company, and also knowledge of the participants.

3.7 Selection of Family Businesses/Respondents

The selection of family businesses and participants to a qualitative interview case study depends to a great deal on the study’s goals and purpose (Cassell & Symon, 2004). Convincing companies to participate in a study becomes seemingly more difficult due to busy schedules, however, we managed to interview five family firms that suited our criteria. Our set requirements before asking family businesses to participate were:

1. Being a family business
2. Having a need or experience with recruiting people in managing positions
3. Existed for at least 10 years so that a firm culture has been established

We applied a snow-ball sampling which starts with someone (company/person) who meets the criteria for inclusion in the study and who is then asked, based on their knowledge, to name others who would fit the same criteria. Through this sampling strategy, five family firms agreed to participate in our study. It was important to us to interview family firms of different sizes in order to illustrate the differences in handling recruiting processes and the influence of culture as well as family involvement. The smallest of these five companies can count on 4 employees who act as autonomous managers. The biggest participant is a globally acting corporation in the home appliance industry, although we only focused on the national located site in Southern Germany. This site counts roughly 1,300 employees and has a great need for hiring managers for various functions in the organization. The companies in-between show a growing size of 35, 60, and 250 employees respectively. From this small to large company selection sampling we expected to see clear differences in various aspects and functions of the recruiting process as well as how the businesses display themselves in terms of allocation of resources, formality, professionalization, and business culture. We were able to interview a mixture of family business owners who act as CEOs and HR representatives through which we received insights into the cultural aspects of the firms as well as more HR specific tasks regarding the recruitment process.
<table>
<thead>
<tr>
<th>Company</th>
<th>Size</th>
<th>Business Area</th>
<th>Founded In</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>4 employees</td>
<td>Distribution of Industrial Machinery</td>
<td>1971</td>
</tr>
<tr>
<td>Company B</td>
<td>35 employees</td>
<td>Repair and Sales of Automobiles</td>
<td>1964</td>
</tr>
<tr>
<td>Company C</td>
<td>60 employees</td>
<td>Manufacturing High Quality Industry Presses</td>
<td>1905</td>
</tr>
<tr>
<td>Company D</td>
<td>250 employees</td>
<td>Industrial Supplier Firm for the Automobile Industry</td>
<td>1985</td>
</tr>
<tr>
<td>Company E</td>
<td>1,300 employees</td>
<td>Domestic Appliances</td>
<td>1925</td>
</tr>
</tbody>
</table>

Table 1: Overview of participating family firms

3.8 Interviews

Before the actual interviews were conducted, every participant was asked for permission to state their name and the company’s name in the present thesis. Since two out of five firms expressed their wish to remain anonymous, we decided to list all companies as A, B, C, D, and E respectively to have a consistent appearance of the material throughout the thesis. Furthermore, the respondents were asked for permission to audio tape the interviews. This helped us to ensure a better flow of the interview as active listening to the responses was guaranteed. Moreover, the audiotapes represent an efficient mean to avoid missing or forgetting any facts, which shapes the basis for the transcriptions and a thorough analysis.

The methods for conducting these interviews were chosen based on availability, technological possibilities, and wishes of the participants. Overall, we conducted three video interviews via Skype and two phone interviews via Skype for Business between March 21st, 2017 and March 24th, 2017. The interviews lasted between 35:38 and 59:36 minutes, depending on the time that each respondent was available for. To avoid any sort of bias, all interviews were conducted by both authors. The interviews were held in German since all company representatives as well as the authors are fluent in German. By conducting the interviews in the participants’ native language, we made sure all terminology was clearly understood and that the interviewees felt comfortable to discuss all relevant aspects. Nevertheless, the findings and direct quotes of the interviews are translated into English as required for this thesis.

The interview questionnaire (see appendix) was semi-structured to ensure that the interviewers could lead the interview in an appropriate way but also to allow the interviewees to discuss more freely as well as to emphasize topics which were important to them (Bryman & Bell, 2015). The respondents asked to receive the interview questionnaire beforehand so that they would not be caught off guard during the interview. This ensured that we received
more in-depth information since the interviewees had time to reflect more intensively on the questions. A possible negative effect could be that the participants did not mention certain aspects of processes, which they could have said when answering questions spontaneously. During the interviews, we asked the questions in the same order because this is the best approach when conducting a semi-structured interview as too much variation in the replies is avoided (Bryman & Bell, 2015). Nevertheless, the semi-structured interview style also allowed us to ask questions which were not previously included in the questionnaire by posing follow-up questions when necessary.

As we concluded from existing literature, the recruitment process within a family business is likely to be influenced by the extent of the family influence. Consequently, we tried to find out more about the familiness, power, experience, and culture of each family firm by including questions concerning these concepts in our questionnaire. The interview questionnaire consisted of 8 introduction questions posed to receive general information about the companies. Furthermore, 32 questions were divided into 4 sections to make it easier to understand the topics to which each question related to. The first section included questions about the background of the firms, for instance how many family generations have been working in the company and how the knowledge of the older generation was transferred to the younger generation. The answers to these questions helped us to understand the past and current state of each company and thus, to get a holistic picture as well as a good reference point for later questions. The second section included questions about the HR department of the businesses. In order to fully understand the process of recruitment within these firms, which was our main purpose, it was necessary to first get a clear picture of how the HR department is structured, functioning, and what responsibilities are delegated to this department. Questions for the last two sections were closely derived from the knowledge that was gathered from the theoretical background developed before conducting the interviews. The question section about family businesses aimed at finding out how the family founder may have shaped the business culture as well as to what extent family values are ingrained in the firm. The last section block included specific questions about the recruitment process within each family firm. Moreover, in this section we also tried to find out how much importance is given to the overlap between a candidate’s values and the organization’s culture by each company as well as if their recruitment processes differ for family and nonfamily members. Dividing the main topics into sections helped us to ensure that all important aspects were covered. Nevertheless, during the interviews we noticed that the individual respondents took a different amount of time to answer different questions. This allowed us to ask customized follow-up questions and already gave us an indication about what topics are especially important for each individual company.

In addition to primary data collected through the semi-structured interviews, also secondary data about the interviewed companies was gathered from public materials such as company newsletters and brochures, or available information on the company websites about their vision, mission, etc.
<table>
<thead>
<tr>
<th>Company</th>
<th>Interview date</th>
<th>Interview length (minutes)</th>
<th>Interview style</th>
<th>Additional data acquired from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>March 21st, 2017</td>
<td>59:36</td>
<td>Skype (Video)</td>
<td>Public materials, e.g. information on company website</td>
</tr>
<tr>
<td>Company B</td>
<td>March 23rd, 2017</td>
<td>42:06</td>
<td>Skype (Video)</td>
<td>Public materials, e.g. information on company website</td>
</tr>
<tr>
<td>Company C</td>
<td>March 24th, 2017</td>
<td>47:03</td>
<td>Skype (Video)</td>
<td>Public materials, e.g. information on company website</td>
</tr>
<tr>
<td>Company D</td>
<td>March 24th, 2017</td>
<td>57:28</td>
<td>Skype for Business (Phone)</td>
<td>Public materials, e.g. company newsletters &amp; brochures; available information on company website</td>
</tr>
<tr>
<td>Company E</td>
<td>March 23rd, 2017</td>
<td>35:38</td>
<td>Skype for Business (Phone)</td>
<td>Public materials, e.g. company brochures; available information on company website</td>
</tr>
</tbody>
</table>

Table 2: Information about interviews

3.9 Data Analysis

The collection of non-standardized qualitative data requires classification and categorization while the analysis is conducted through the use of conceptualization (Saunders et al., 2009). The data was obtained in a narrative way from the participants through semi-structured interviews. The analysis of the narratives was unfolded in the following way. First, the transcriptions were read several times to get more familiar with what has been said. The focus was spread among four different sections which are background of the business, the family firm and its founder/s, HR structure, and the recruiting process. In order to be able to analyze the conducted interviews in a structured way, we made categories according to the main concepts mentioned and described in our frame of reference. This helped us to organize and compare the main narratives according to the researched literature. Through this comparison, we could see in which areas we have found an overlap and also new aspects that underline or contradict with the existing literature became apparent. Both findings and analysis aimed at gathering information in order to answer our research question. Consequently, we structured the interview answers according to the following categories: culture, values, P-O fit, SEW, recruitment process, formal and informal recruitment methods, recruitment channels, family and nonfamily recruitment.
3.10 Research Quality

Qualitative research is not immune to the issue of bias and can be misleading by the richness of data (Easterby-Smith et al., 2015). Over time, qualitative data has been considered “soft” science and is criticized for lacking scientific rigor and its generalizability compared to quantitative research (Cope, 2014).

To strengthen the value of a qualitative study, Cope (2014) endorses the applicability of the most common and widely used criteria proposed by Lincoln and Guba (1985), which are credibility, dependability, confirmability, and transferability. In order to develop trustworthiness, the four criteria are taken into consideration and should be kept in mind when doing research. First of all, “credibility refers to the truth of the data or the participant views and the interpretation and representation of them by the researcher” (Cope, 2014, p. 1). Saunders et al. (2009) proposed the method of triangulation of information, which ensures the accuracy of the data being gathered. Both researchers of this thesis were present during the collection of the primary data (interviews) in order to avoid subjectivity or biased interpretation. Triangulation of information also means to validate information through two or more sources and the application of several research methods. The comparison of responses across the participants as well as to firm documents and recent literature enhances the credibility of our study.

The second criterion is dependability, which refers to consistency of data over similar or comparable conditions. The conditions to conduct this research are thoroughly described in the method section and the interview questionnaire is attached in the appendix. However, acquiring the same results for qualitative purposes can be difficult since the phenomenon under study and the responses of participants can change over time.

The third criterion is confirmability. It refers to “the researcher’s ability to demonstrate that the data represent the participants’ responses and not the researcher’s biases or viewpoints” (Cope, 2014, p. 1). Our study supports this by describing how conclusions and interpretations were established, and by illustrating how the findings were derived directly from the data. Consequently, the findings are a reflection of experiences of the interviewees instead of our own preferences.

The fourth criterion is called transferability, which unfolds in the ability to apply the findings to other settings or groups (Cope, 2014). As previously stated, the aim of this study is not to generalize the results on a larger scale due to the heterogeneity of the interviewed family firms and thus, is not likely to be transferable to a different study setting.
4 Reporting of Qualitative Data Findings

The following section of this thesis provides the findings made through interviewing five German family firms with regard to their background, HR department, family business, and recruitment strategy.

In this section, we will illustrate the findings that we have gathered from analyzing our conducted interviews. Our interview questionnaire was divided into different sections in order to get extensive answers to all relevant theoretical concepts. The sub-headings for each company correlate to the main sections of the interview questionnaire and contain findings from primary and secondary data. This is done to establish a clear structure in reporting our qualitative findings.

In order to fully understand the recruitment process within each interviewed family business, it is necessary to first get a holistic picture of these companies. Thus, we will begin with highlighting some background information that is important for our research. This information was gathered by analyzing secondary data from public materials of the firms, such as company newsletters, brochures, or other available data on the firms’ websites. In addition to this secondary data, we also included questions about the company background in our interview questionnaire to receive primary data about these aspects. A note must be made that some of the interviewed companies wished to remain anonymous. To respect their wish, we will present some of the main background information of these firms, but will not go too much into detail so that revealing their identity is avoided.

The second sub-heading will contain findings regarding the structure, functions, and responsibilities of the HR department within each company. Knowing this is important to get an understanding of how the firms’ recruitment processes might work.

Findings in the family business sub-heading will demonstrate how the family founders have shaped the business culture and how family values are currently still influencing the processes of the companies.

The last sub-heading will deal with presenting findings about our main topic, namely the recruitment process within each family business. Outcomes from the first three concepts as well as the interview answers regarding specific questions about the recruitment strategy will be used to get a clear picture of how the recruitment process in each company looks like, what roles a candidate’s values and the organizational culture play, and whether the process differs for family and non-family members.

4.1 Company A

4.1.1 Background Information

Company A specializes in offering consulting services about punching as well as forming machinery and also distributes these machines in the Western part of Germany. After the father left the company in 1998, our interviewee took over as CEO and shareholder. He was already working for the business part-time while still going to university. Through this, the
father was able to transfer his knowledge to his son, although our interviewee explained that it would have been better to work for another company first to get an unbiased overview of how a business should be managed.

“We have informal processes and do not have any ISO certifications because this would not make sense for a business of this size”. Today, the business counts on four employees, which is why the need for recruiting new employees is not as high as in larger firms. Nevertheless, the respondent emphasized that he is also dependent on having an effective recruitment process in place, even though this process might be more informal than in other companies.

4.1.2 HR Department
Due to the small size of the company, it is not necessary to have an HR department. Instead, the CEO handles all HR issues himself, which is why this section is kept quite short for company A. Generally, the business requires at least two other people in management positions, next to the CEO.

To retain employees, company A offers trainings to its employees, for instance about sales and negotiation techniques, so that they can constantly further develop their skills. A fair compensation with regard to industry standards and a company car are guaranteed. Allowing employees to work independently and trusting them to make the right decisions is taken for granted by the CEO. “I think that it is more rewarding to employees to have a certain freedom in their actions and decision-making than monetary rewards.” Furthermore, our interviewee emphasized that having open dialogues is necessary to build trust between all employees and that he as the CEO also has to be open to receive critique.

4.1.3 Family Business
The family firm is characterized by allowing employees to work completely autonomous and independent. The family CEO highly emphasizes the values of reliability and honesty. “Doing what you promised to do is very important. In case you are really not able to do something, you should be honest about it and come talk to me.” Actively practicing these values himself helps our interviewee to transfer them to the behavior of his employees. Most of the firm’s competitors are big corporations, so being a family business makes the company unique. They also promote this family aspect to customers because “[…] this shows them that we represent the values of reliability and loyalty, and we are always available to personally talk to them.” Being embedded in the local area is also considered as an advantage of the family business. The CEO explained, “Many big companies outsource their main business to cheaper countries but we only distribute machinery which was produced here locally in Germany. This means that we can guarantee the highest quality to our customers. Outsourcing your business is definitely easier when it is not your own family business because then numbers are more important than emotional connections to the company.” Even though the father was the one who founded the business, the interviewee has a very strong personal connection to the firm. “When your own name is shown, then you definitely feel more responsible for the company and you probably take different decisions than a nonfamily CEO who might be working for a different business in five years from now.”
4.1.4 Recruitment Process

The interviewed CEO emphasized his need for an effective recruitment process, even though it is more informal than in larger firms. As an example, he mentioned that he had to hire four new employees over the last 10 years for the same position and is also currently searching for someone. “In our technical sector, it is quite difficult to find good employees with the necessary skills and knowledge, so it definitely happens that I have to let someone go and recruit someone new.” One of the employees has worked with punching and forming machinery for 20 years and since the interviewee personally knew him beforehand, he was sure that this person had the required technical skills and personal characteristics to work in his business. Especially since the company only has a few employees, the CEO wishes to retain them for a long time. “Having trust and a certain familiarity between the employees is very important and this can only be established over some period of time.”

The main channels to search for new employees are to place job advertisements in local newspapers or on internet platforms. Company A usually does not make use of recruitment agencies since the size of the business does not require this. There is no formal recruitment process in place, instead a lot of the recruiting decisions “[…] depend on my gut feeling. Of course, I ask applicants about their education, social environment, and hobbies to get a good overview of who this person is. But I do not believe that it is useful, at least for my business, to have special personality assessments.” Another aspect that the CEO pays attention to is the number of job changes that the candidate already had in the past. “Many people underestimate the importance of not having too many job changes. Changing your job can be useful, of course, to get new perspectives and acquire new skills. However, it also shows me as an employer that this person is not interested in working for a company for a long time. I highly value the aspect of long-term commitment, so I would not hire someone with too many job changes in their CV.” During the job interview, the CEO also tries to analyze the body language of the candidates and their personality. “Apart from having technical knowledge and skills, it is also important to hire someone who can work with other people. Selling machines to customers means that my employees need to have a social personality, are able to listen, and are able to adapt their behavior to the different characters of our customers.” Age is not a determining factor in the hiring decision, as the knowledge and skills of the person are more relevant. However, our interviewee also tries to recruit younger people to adapt to customer needs. “There is a change in our market and people are always getting younger. My generation thinks completely different than yours and I think it is important to have employees who understand the needs of these younger generations.” The P-O fit is another aspect that is important during the recruitment process. “We have certain values as a small family business and it is absolutely necessary that our employees share these values. Otherwise, no one would be happy. For instance, keeping promises and being honest with each other is highly valued here and when you are not able to openly criticize someone but also to accept critique yourself, then you could not work here.”

When asked about distinguishing between nonfamily and family members during the recruitment process, the CEO explained that he and his brother did not possess the necessary
skills to start working for the company but since they were the sons of the founder, they were hired for management positions anyway. Today, it is necessary that also a family member who wants to start working for the business, possesses the required skills. However, since the firm’s recruitment process is informal in nature, there are some differences made between family and nonfamily members. For instance, during the interview, less critical questions are asked to family members because the people and their personalities are already familiar, so the CEO already knows if they would fit to the company culture. “As long as a family member has the right personality and possesses the necessary skills, he or she will always be preferred to a nonfamily applicant.”

4.2 Company B

4.2.1 Background Information
We interviewed one of the CEOs and his wife for company B, which is a small and 100% family owned company. Their business consists of the sale and repair of automobiles and it also operates one gas station in addition to the main business. It was founded in 1964 but the founding generation is not in the business anymore. Consequently, the transition to the second generation was successful and the family members who are owners are actively working in management positions. The rather small firm can count on 35 employees. Early on in 1973, one son of the founder joined the business. The second son of the founder also joined the business in 1988 and the company continuously grew in small steps. Today, the company is still highly influenced by family values and handles the daily work in informal manners since there are no clearly defined process structures. Employees know each other very well and they embody the values of trust and reliability.

The two brothers manage the business as current CEOs, although the gas station is managed solely by the wife of one of the brothers. The wife of the other brother is managing the administration in terms of accounting, settlements, and application processes of the business. Since the firm has a fairly flat hierarchy, it can flourish with only two hierarchical levels. “At a certain point, you cannot manage everything alone anymore. Nevertheless, when the business grows and more people are needed, hierarchies are still kept to two levels in order to keep direct communication as easy as possible.” The business is very traditional and the family aspect is represented in their mission statement where it is stated that “One of the main goals is to maintain and carry forward the business throughout the next generations.”

4.2.2 HR Department
A real HR department like in formal organizations does not exist. As briefly noted in the background, the wife of one of the CEOs manages administrative tasks, which also includes the pre-selection of applicants for all positions needed in the business. Criteria and requirements are discussed in advance with CEOs and thus, the wife can work autonomously through the pre-selection process until applicants are invited for structured interviews.
While the processes of recruiting people are managed informal, given the size of the business, it has a certain demand for new trainees and sales managers. The sales staff is an important and major part of the business, hence, reliable as well as charismatic people are needed to fill these positions. In the past years, the firm had trouble in finding good sales representatives who perform well and stay with the business. “We had several cases where the person appeared to be qualified and charismatic, but still didn’t perform well with the clients. Moreover, it becomes noticeably more difficult to recruit good employees who have enough experience and perform a good job.” Because there is no concentrated HR representative, the strategic role of HRM is mainly steered through the two CEOs who define work processes and delegate the workforce.

### 4.2.3 Family Business

The business is very traditional and located in a village outside of bigger cities. An outsider recognizes quickly that tradition and strong ties to the localities are present in the company. Due to the close association with the location, the language spoken within the company is a local dialect which differs from the German spoken in other parts of the country. Literature does not define dialects as a unique feature of family firms, however, it adds an individual characteristic to this specific family business, which can also be considered charismatic to both, locals or “foreigners”. It identifies the business to a certain extent while also giving the business its authenticity and credibility in what it does.

The firm culture is described as having a strong sense of reliability. “We depend on our well-known employees who have been with us for a long time, some of them for more than 25 years now. They are trustworthy, they work autonomously, and do not hesitate to go the extra mile if necessary.” It is a value that the founder has set as an example. “My father didn’t see anything else than the business, there was only work for him back in the days. When orders had to be fulfilled, they were completed even if it took the whole weekend to get it done,” said the CEO. During the interview, another characteristic typical for family businesses came up, namely when talking about taking risks. “When the founder, my father, decided to start the business with a sum of 500,000 (German Mark), discussion as well as concerns were tremendous. Are we going to do it? Will it work out? How does it work?” Nowadays, our interviewees explain that “Even a machine can already cost up to 100,000 or 200,000 euros, and the concerns and emotions about such amounts have vanished because the business needs these advancements to operate and to grow.” This shows that the business has to change over time and with its environment.

Another important aspect mentioned by the CEO is the ability to delegate work. Trust in coworkers plays a crucial role and being able to accept the results of delegated work is necessary. “Saying, I would rather have it done myself, has no space in the mind of a real leader of people. Particularly with new employees this is a tough challenge for me as the owner of the business.”

### 4.2.4 Recruitment Process

When it comes to the recruitment process, the business relies on ad postings and readouts in local newspapers. Vacancies for sales manager positions are also posted on the website,
however, these are the only recruitment channels the business uses due to limitations in resources that can be put into the process. The use of agencies or head hunters has not been applied in the past. When suitable applicants are found, a job interview is held. For example, questions about qualifications, strengths, and weaknesses or long-term goals are commonly asked. It is mentioned that “The qualifications of the applicant are often profound and the person seems to understand the requirements for the job, thus it is in many cases a gut feeling if we go along with an applicant who gave a good first impression.” When asked about competences and how important they are in selecting applicants the company says, “Primarily and foremost we look at the education or former work experiences of a person because it is a hard fact to assess, and how a person fits into our team reveals itself very slowly over time when the person is actually working in the business every day.”

The topic about family and nonfamily members in the recruitment process was described as a difficult situation. Not only family members or relatives can put the company in a tricky situation “[…] but also the son or daughter of long-term customers who apply to our company.” The respondents were in agreement and said, “[…] in a situation like that we would try to be as fair as possible because all applicants deserve the same chance of getting the job.” There could be a slight advantage in regard to the assessment of the character and reliability though because the family member’s behavior is more or less known beforehand due to the presence in the family circle. On the other side, the CEO noted, “Family members can have a disadvantage in certain situations as well such as being rejected by employees who think they only got the job because of being a family member.”

4.3 Company C

4.3.1 Background Information

Company C specializes in building machinery for the punching and forming industry. The family business consists of 60 employees and is completely in family ownership. The ownership is split among the father and his two sons. While one son decided to focus on an educational profession, the other one has taken over the CEO position of the firm. Apart from that, no other family member is currently working in a management position.

Although, the business was already founded in 1905 and was fully taken over in 1960 by the father of the current family CEO. The company identifies itself as a manufacturer of presses in the premium sector and clearly states this with its strategy by saying “We want to build the best precision press to competitive market prices and reach an undisputed top position in that market.” On the operative level, the firm wants to offer the best possible performance-price relationship to its customers rather than becoming the biggest vendor in the market. The exact and clear positioning is important in this specific industry because the company cannot compete on turnover or quantity level since competitors are transnational companies with hundreds or thousands of employees. Therefore, the company specializes in its segment and focuses on the technologies in the niches.
4.3.2 HR Department

The HR department of company C consists of one employee. However, the CEO is also part of the recruitment process and is present during all interviews with applicants. Both HR employee and CEO discuss and find unanimous decisions when an applicant is going to be hired. The firm’s HR efforts have been successful because it has many employees with well over 25 and up to 35 years of belongingness to the company. Employee fluctuation is generally low, although some employees change jobs “[…] because it often comes down to a question regarding the salary.” Nevertheless, there is a constant demand for new employees due to the technological complexity of the industry. Right now, the company is facing a structural change in the sales and distribution as well as in the service department. According to the CEO, he is dealing with a lot of interviews at the moment because the structural change also requires a change of personnel.

The strategic HR function of company C is also focusing on analyzing the demand for training of its employees. Yearly performance appraisal interviews are held to be transparent with employees about current situations and expectations toward the future. Besides this, the role of the CEO is “[…] to be as informative as possible.” The interviewee emphasized that communication within the company as well as with external stakeholders is a key factor for a successful business.

Furthermore, the company tries to establish more connections with schools and universities to get in touch with future high-potential candidates early on. One reason to engage in this matter is the experience that the own apprentices have proven to be suitable successors for certain management positions and thus, the business can fill important positions with employees who were trained right at the core of their company.

4.3.3 Family Business

The current CEO describes the business as having few hierarchical structures and short decision-making routes. They consider themselves as being innovative in their specific market segment and having fast decision making processes. Moreover, the interviewee noted that his type of leadership is informative and participative toward his employees, meaning he involves his people in the decision-making process and ensures that everyone is well informed. The first generation is not involved on the operative level anymore, but the transition was rather smooth. When asked how knowledge between generations was transferred, the interviewee explained, “We have had a good overlap of ten years where my dad and I both worked in managing positions.” Thus, he can relate to the values of his father and understands the culture of the business. Personally, he has strong ties and an objective toward the company because he is an owner and is actively working in the company. The goal is “[…] to win the marathon and not the hundred-meter sprint, which means that I put an emphasis on the long-term perspective.”

Caring for employees and building strong connections of trust and reliability is highly valued by him. He states that honesty and the ability to rely on one another are vital for the success of the business. Working together hand in hand is necessary to overcome challenges and reach good results. Consequently, the firm culture is built on these values and he tries to lead by example because without this, the long-term goals could not be accomplished.
To foster the culture of the firm, a lot of efforts are taken to bring employees together. An annual employee festival is in place where employees come together with their families to enjoy food and entertainment organized by the company. Another event is the “spring breakfast” or the “summer party” where employees establish connections with each other and can talk about their private life outside of work. “These events have proven to be successful because it helps to get to know your coworkers to establish more trust and friendship with each other.”

4.3.4 Recruitment Process

Company C has a structured hiring process in place and makes use of two options. The first option is to receive applications on internet platforms such as “stepstone” or simply using job postings online or in newspapers around the area. A process of pre-selection based on the resumes, transcripts, competences, etc. is conducted and the selected candidates are invited afterwards to interviews at the company site. In general, one interview is in place until a final decision is made. In case several applicants appear to be highly suitable during the first interview, a second interview round is held to find out more about specific technical competences and characteristics.

The second option that the company is taking advantage of is the use of agencies which are specialized in finding and selecting people for firms. Especially for leading positions, the agencies check the documents of the applicants and make a pre-selection of candidates. Chosen applicants are invited to an interview at the firm and the actual recruiting process from that point forward is conducted in the same way as described for option one. Additionally to the job interview “An invitee is always given a tour through the company site because we want to present the business as a whole so that applicants can get a better impression as well.” The advantage of using agencies for the pre-selection is that it saves the firm valuable time of skimming through applications for various positions, however, it must be clearly defined what the company is looking for in order to let the agency do a good job in finding suitable managers. The CEO does also underline that time is the only factor showing if a person fits into the P-O fit framework. “It takes weeks or up to months until you get to know the personality and character of a new employee and really can judge if it can be long-term partnership between employee, the team, and firm.” On the other side, competences and skills are more factual and easier to check. Verbal assessments are in place, for instance having to answer questions about technical aspects of the machines, through which the company analyzes if the candidates can accomplish the tasks which are given to them.

Furthermore, we received insightful narratives about the question whether family members have an advantage during the recruitment process. “There can be a difference between family and nonfamily applicants but you can also define in advance if you want to fill that position with a family member or not. Thus, when you know you want to employ a family member, you do not have to search for nonfamily candidates.” In cases where family members are considered to fill a vacant job position, it is likely that questions regarding psychological aspects or the applicant’s character are less important because the family member is already known from the milieu around the business and family. Moreover, it was mentioned that family employment also depends on the size of the family. The bigger the family, the more
likely it is that members apply and this case has to be dealt with. Another experience shared from the CEO was that sons and daughters of business owners can struggle when they want to apply at other businesses. “It is hard for them to convince other companies that they have genuine intentions of staying with a business rather than leaving the company after a short time to return back to the family business.”

4.4 Company D

4.4.1 Background Information

Company D is an innovative stamping technology business with 250 employees working in 24 departments and three hierarchical levels. It was founded in 1985 by two brothers who still own shares of the company and are also actively working in the firm as executive partners. As summarized by our interviewee who is part of the HR department, the business considers the employees as its greatest asset and aims at “[…] technologically capturing new markets and moving forward through own innovations.” It is also stated on the company website that the firm has a focus on continued solid growth by investing in new technologies to keep their competitive position in the market and to adapt to customer needs. “The agility in decision-making processes and the overall organization that is required nowadays is a big strength of the firm as well as the courage to invest in new technologies. This healthy courage to accept risks is what characterizes the business. I think that this is not necessarily typical for a family firm, but is rather specific for our company.”

The family business started to work with enterprise resource planning (ERP) systems quite early on and introduced SAP in 2011. These systems helped company D to establish appropriate process and workflow structures. “It is especially interesting to mention that our business is ISO/TS 16949 certified, which shows that we have a high-quality management system. Our customers really appreciate this.”

Furthermore, the interviewee emphasized that “[…] people in management positions need to understand that their job nowadays entails a lot of coaching elements. There is a current change in the market and industry, so we do not need any patriarchs in management positions. We need managers who are able to keep the employees motivated by using certain coaching methods because the cognitive stress is bigger than the physical one these days.”

4.4.2 HR Department

The HR department of company D consists of three employees. In the past, job responsibilities and processes were clearly defined and standardized but nowadays, because of volatile changes in customer needs, the expectations on employees are higher. This means that “[…] employees are not only required to do the work that is defined in their job positions but they also need to be more flexible, take more responsibility, and take more initiative by being proactive. This is very important for the longevity of the business. Since we are the ones who need to recruit and hire these kind of employees, our strategic role as the HR department is also becoming increasingly important. If we do not recruit the right employees, the success of the company is minimized.” Consequently, there is a move for the HR department from only offering services to actually being an active participant in the firm’s long-term growth.
Moreover, this also means that every employee in a management position needs to possess certain HR skills, for instance effective coaching skills, to motivate their subordinates. Generally, there is relatively less fluctuation of employment in management positions since the average period of employment is 10 years. Nevertheless, it happens that the firm sometimes loses talented employees due to ineffective leadership. “To avoid this loss of talent it is important that the HR department recruits people for management positions who share the same values as the business and who understand that they need to find appropriate ways to motivate their employees.” To ensure that there is a high-performance working environment within the company and to retain talented employees, the HR department offers several benefits. Firstly, they guarantee a fair compensation with a performance-based salary. Children of employees can get an apprentice position in the company and trainings as well as coaching lessons are offered to workers so that they can further develop their skills. Moreover, “[…] we understand that communication is very important. So, when there are three people having a coffee together, we know that this does not necessarily mean that they are taking a break but that they are actually working.” The company tries to eliminate the classical hierarchical levels so that employees know their opinions are valued and they can take initiative. “Having an open dialogue between all employees is very important. I always make sure to stop by on the production site to see if the workers there are satisfied. And there is no need to make appointments because everyone can always drop by any office when they have concerns or ideas for improvements, even at the offices of the CEOs.” Communication is so important in the firm that they have annual communication trainings for employees in management positions and are currently also implementing simplified versions of these communication trainings for all employees. To retain employees, it is also necessary that every stage of the HR life cycle is managed effectively. However, “[…] if the recruitment process is not managed effectively then all the later stages are not relevant anymore. So, the recruitment of the right employees is the basis for everything and requires a lot of attention.”

4.4.3 Family Business

Since the two family founders are still working in the company, their values are shaping the firm culture. Our respondent explained that the founders value honesty as well as straightforwardness and that they also actively practice these values. As a result of this, these values are transferred to the behavior of all employees and it is common to openly say what one is thinking. Due to this open dialogue between all employees and the CEOs, there is no need yet for a works council. “Everyone here knows that if they have something to say, they can just do so without having to be afraid of possible negative consequences. This gives the opportunity to solve problems before they become too big, which is an enormous advantage in our company. The fact that not one of the 250 employees has ever felt the need to establish a works council clearly shows that the founders’ values of honesty and straightforwardness are successfully implemented in the business.” Furthermore, both founders also highly value the family concept. “When our HR department had the idea to guarantee apprentice positions at the company for children of our employees, both CEOs were delighted with this idea. They know that it is easier to retain employees in the long-run if they know their family is taken care of. Then they can also better focus on their job and increase their performance. They are
very proud when their children are taking apprentice positions here, so it’s a win-win situation.” Another value that is very important for the family founders is social responsibility. They actively support youth programs and social organizations in the local area because the business has “[…] a very strong commitment to our community here and every employee knows this.”
The interviewee emphasized that they try to illustrate their values and norms on their company website and brochures, so that customers and potential candidates can easily recognize these values.

4.4.4 Recruitment Process

Even though the average period of employment is 10 years, the company is also constantly hiring new people for management positions and thus, having an effective recruitment process in place is a highly relevant topic for the business. The tool for searching and finding ideal candidates hereby always depends on what is required from the person. “For instance, if I am looking for an experienced manager who has to have a certain age, I am not going to post a job advertisement on Facebook. We usually make use of specific job portals such as LinkedIn and also post recruiting videos in which we present our business. So, we use the same recruiting ways as the really big companies to reach the best candidates for our jobs.”

Company D makes use of recruitment agencies and also promotes the business on special trade shows. “We know that people from our industry are visiting these trade shows, so we from the HR department are also present to have access to these people. We basically use all available channels to reach new talented people. This has nothing to do with the company size, but is rather due to the fact that we all (companies within the industry) try to recruit people from the same pool of candidates. If we were not using all recruitment channels, then it could be that we miss out on people because they are hired by our competitors.” When specifically asked about recruitment agencies, the respondent explained that these agencies are interesting because they already have a bigger pool of candidates available than a normal business. “Recruitment agencies are rather fast in delivering profiles of potential candidates, so my recruitment process starts when I receive these profiles from the agency. A lot of firms delegate the complete recruitment process to agencies, but we are not doing this. We are still independent and autonomous in our recruitment process and I trust my own assessment of applicants more than the one from the agencies.” Applicants who were suggested by the recruitment agency have to go through the same recruitment process of the company as any other candidate. “Our employees who were initially found by recruitment agencies are also employed for a long-time in our business because the recruitment process is the same for everyone. In a company where the entire recruitment process is delegated to a recruitment agency, it might be the case that these employees also leave the company rather fast since headhunters might contact them regarding job opportunities in other companies as well.”

The recruitment process of company D is generally the same for family and nonfamily members. “If I am looking for a person with certain qualities then the process cannot be different. It is pointless to hire a family member who does not possess the required skills for a job. The qualifications of an applicant are always the determining factor.” However, when the
time for succession comes, the normal recruitment process might not be used. “I think that in this particular case we cannot talk about a normal recruitment process because we need more of an integration process then to successfully drive the business forward and to honor our status as a family firm.”

Right now, company D is changing some aspects of its recruitment process to conform to the new European data protection regulations. Our interviewee mentioned that they were thinking about not asking for photos of applicants anymore, which is still pretty common in Europe, to avoid being biased. Hence, they want to use only “[…] hard facts to get a fair recruiting process where it does not matter how the person looks like.”

The general recruitment process consists of one face to face interview and when this is successful, a so called “inside assessment” is conducted where the personality and qualifications of the applicants are further evaluated. “These inside assessments are an investment because they are quite costly. But it is important for us to recruit the best employees, so we are willing to invest this money.” The HR representative stressed that it is very important for candidates to act naturally during these assessments and stay true to their personality. Otherwise it can be difficult for the company to accurately evaluate if the person fits to the organizational culture or not. When the candidates meet the requirements, another assessment round follows the inside assessments. In this round, the responsible department managers to whom the open job position reports, are present as well. “There are no time restrictions to the recruitment process, it takes as much time as we need. Having a high-quality recruitment process is more important than having a fast process, especially for management-level jobs.” Analyzing the long-term goals of the candidates also plays a big role here. “The whole recruitment process costs us a couple of thousand euros, not only because of the methods we use, but also because we miss out on the workforce if a job is not staffed during the process. So, the longer the process takes, the more expensive it is for us. That is why I need to know the long-term goals of the applicants. If a person wants to leave our company again after a short-time, then we cannot afford to invest so much money into this person. One of my most important questions is about where a person sees themselves in three to five years, and if this person says that they want to work as a team leader and we do not have any structures for this position, then I know that the candidate would not be happy to work for us and we would not be satisfied either.” Another important aspect that goes along with this, is the applicant’s wish for job stability. “When a person has to move here for the job, I want to know if they only move for the job or if they want to settle in our area. I try to find this out during the recruitment process because it is part of the person’s long-term goals. Having to commute between different cities is something that can negatively affect an employee’s work, so even though the candidate might have the required qualities for a job and a good personality, we would not hire the applicant because I know that this will not work out in the long-run.”

Our respondent also emphasized that the character and personality of an applicant are more relevant than the competences of this person. “We have to distinguish between competences which cannot be learned, for instance emotional intelligence, and competences that can be learned such as speaking a foreign language. I think that the character of a person is twice as important as these competences that can be learned because the character cannot be changed.”
For the respondent it is clear that the family aspect of the company also plays a big role during the recruitment process. “During the first interview, I always explain that this is a first-generation family business and if the CEO wants to know something, he will just come to your office and talk to you in person. If you do not like this then this company is not the right one for you.” Generally, the autonomy of the HR department during the recruitment process is quite big. The CEOs put their trust in the HR employees and do not intervene in their recruiting decisions. In case there are different opinions, “[…] they are open to discuss issues with us and are also willing to listen to our arguments for or against hiring someone. Persuading the CEOs is not possible but using good arguments to convince them that their decision might not be the best one for the business is definitely possible. They know that we can have different perspectives on things that they might not be able to see since we have more specialized HR skills.”

4.5 Company E

4.5.1 Background Information

Company E is a multinational high-tech company working with domestic appliances and is a global leader within its business sector. The family firm was founded in the 1920s by two friends who left the firm in the 1980s. The descendants of the two founders still have 100% family ownership of the company shares, although the firm is managed by three nonfamily CEOs. Some family members are employed in the business but they are not allowed to work in management positions to avoid potential conflicts of interest.

Even though the business has thousands of employees worldwide, the headquarter is still kept in the small German city where it was originally founded. Around 1300 people are currently employed here. The firm clearly identifies itself as an international player, but also enjoys the positive reputation abroad of German engineering.

Since the founding year in the 1920s, the notion of high-tech has been further developed through technological progress and hence, one of the main tasks of the business is to always have a clear understanding of how high-tech is currently defined. This goes along with the values of the company, which are still highly influenced by the founders’ original values. First of all, the firm aims at maintaining its pioneering spirit. By constantly exploring new ground and being open to change, the business is trying to find solutions for future challenges. The second value of integrity implies that the firm takes responsibility for the region where it is located, its employees, partners, and the environment. The megatrends within the industry, namely convenience, safety, and efficiency in preserving resources, also play an important role in the company. The first two trends have been important ever since the business was founded, while the third trend has become more relevant over the last decades. Consequently, the overall mission is to guarantee quality and satisfaction by being aware of customer needs as well as to develop sustainable solutions.
4.5.2 HR Department

We were able to interview the head of HR working at the headquarter in Germany and thus, when talking about the HR department and later on also the recruitment process of the company, the focus is on the German location. This has to be clarified as the local German HR department can have different functions than an international HR department and also the recruitment process can differ between international subsidiaries, depending on their own HR management values.

Currently, 23 employees are working for the local HR department of the headquarter. As it was expressed during the interview, the strategic role of the HR department is quite strong. This is because the main responsibilities are recruiting talented employees and retaining them. Consequently, the HR department is very important for the success of the company.

What became clear in the interview is that the values of quality and innovation are especially important for the firm’s customers, while the aspects of stability, job safety, and integration in the local area are especially relevant for employees. “As an HR manager, I always talk about benefits for our employees and I think that stability, safety, family friendliness, and a social responsibility for the local town are the greatest benefits that we offer to our employees. I think this is a very special characteristic of a family business.” When it comes to employees, the company considers itself first and foremost as a family firm and then as a high-tech business. The HR department is trying to tie employees to the company by implementing fair employment agreements, guaranteeing appropriate wages and compensation, providing workplace health management, and offering day care places for children of employees. Furthermore, employee involvement is actively encouraged through, for example, a suggestion system which gives every employee worldwide the chance to contribute ideas. This cooperative working environment as well as a transparent management style are the main reasons why the employee turnover is relatively small. For instance, every year about 150 employees worldwide are celebrating 25 or 40 years of working for the business. Also, the descendants of the founders, who own 100% of the company shares, try to ensure a clear system of relationships and stability. As a result, the family business has a worldwide employee turnover rate of just 5% and employees are working for the company on average 16 years. “Of course, we sometimes lose an employee but management hopping is definitely no problem since most employees on the management level are happy to stay with us for a long time.”

4.5.3 Family Business

The aforementioned family business values of stability, safety, and a social responsibility for the local area, cause the firm to often employ multiple members of local families. This goes along with “[…] the founders’ vision of building a building in which people can work.” Consequently, active encouragement of the next generation is part of the family solidarity, which is so important for the firm. This is achieved by offering places in childcare facilities so that employees can combine private and professional goals and working together with schools to support young talent. “Having a good work-life balance is a fixed part of the business
An attitude of partnership and mutual respect for each other are ingrained in the business culture and influence the way in which employees cooperate. Traditional family structures are just as important for the company as high-tech and pioneering spirit. Thus, what makes the firm special, is the interaction of both. Our interviewee especially pointed out the original pioneering spirit of the founders, which still shapes the business today. The spirit of the founders, who both were inventors, is the reason for the company mission of developing useful technologies and this is not likely to anytime soon. For instance, “[…] choosing to still keep the headquarter in a rural area in Germany is affected by these values of the founders.”

As it was stated in the interview, in the past there seemed to be a greater tendency to drive your own innovations, especially in rural regions. Thus, the founders’ values of technological development and innovation still influence the firm’s current working ethics. “Even though we now act on a global platform, our biggest production site is still in the town where the firm was originally founded, which also shows our employees that we care for stability and their job safety.” Apart from the pioneering spirit, also honesty is a value that was ingrained into the business culture by the founders. “Honesty might be seen as old-fashioned but it is actually a timeless value. You say what you do and do what you say. The values of honesty and pioneering spirit are still important because the business is still completely family-owned but also because the entire work force understands these values and carries them forward. So, keeping these old family values alive and cherishing them is very important for us. Even our international customers notice this quickly and are impressed.” A quote from Gustav Mahler can be found in the company brochure which captures the essence and importance of family traditions within this business very well, namely “Tradition is not the worship of ashes, but the preservation of fire.” Thus, the historic development of company E is manifested in an own museum where employees can learn more about the beginnings of the firm and the founders’ values.

4.5.4 Recruitment Process

Considering the size and the global character of the company, separate recruitment processes for jobs on different levels and in different countries exist. As aforementioned, during our interview we focused on the local HR department of the German headquarter and the recruitment process for management level jobs. The interviewee defined management level jobs as jobs of department managers and jobs higher up in the organizational hierarchy.

Due to the wish to keep people employed for a long time, which goes back to the values of the founders, the company aims at internally promoting employees for higher level positions. Special analyses are completed to assess the competencies and motivations of internal employees. “From the 80 employees who work as department managers or on a higher level, 40 people were internally promoted. These employees have worked here before and
developed skills, knowledge, and abilities that allowed them to fill these positions. This means that our company has an internal recruitment rate of 50% for these positions, which is quite high.” The other 50% is recruited externally. “We usually work together with recruitment consultants who directly contact suitable candidates.” This has been quite successful in the past because these recruitment consultants find suitable candidates for the company but the rest of the recruitment process is completely conducted by the HR department. “These recruitment consultants act as headhunters and directly contact companies to look for suitable candidates for the position, conduct a first interview with them, and when this was positive, they might suggest five candidates to me. Afterwards we use the normal recruitment procedure and interview as well as assess these people who were recommended to us.”

The family firm has the same structure for assessing the capabilities of applicants during the recruitment process for management level jobs. Hence, there is no difference made between hiring employees internally or externally. Generally, two personal interviews are conducted and there is one assessment day during which an external consultant, who possesses specialized knowledge in this field, further analyzes the candidates’ profiles. While conducting the personal interviews, employees from the HR department are present as well as one manager from a higher level. The respondent also acknowledged that this intensive recruitment process facilitates the collection of in-depth information about the candidates, which allows them to assess their fit to the organization.

Since family members of the original founders are not allowed to work in management level jobs for the company, they are prohibited from applying for these positions. Nevertheless, “[…] everyone, not matter if family or not, has to go through the same standardized processes. So, there is no advantage of being a family member since we are very driven by controlled and standardized processes, also due to our company size.”

The concept of P-O fit, namely that the candidate shares the same values as the organization, is very important for the business during the recruitment process. Our interviewee emphasized that most of professional competencies can be learned but that it is very difficult to change a character of a person. “Especially when having worked in the HR department for a long time, one realizes that if an applicant does not fit to the corporate culture and values, their professional skills are irrelevant. But on the other hand, we do not hire a person just because they fit well to our values. There is also a need to have certain skills. Nevertheless, it is very important to note that a candidate with optimal skills can be excluded from the recruitment process when their personality does not fit to us, the manager, the department, or the whole organization in general. So, it can be that candidate A possesses more professional skills or knowledge than candidate B, but in the end candidate B is hired because of a better fit to our culture.”

During the recruitment process, the HR department also analyzes the long-term goals of the applicants. “This goes along with our values of job stability and employing people for a long time. We are looking for long-term partnerships, so when I ask a candidate where they see
themselves in five years, I want to hear that they wish to stay with our company. This is definitely something that we have to pay attention to in order to stick to our values.” Similar to company D, also the respondent of company E explained that special attention is paid to how they present the company publicly, so that their values and norms become obvious to potential applicants and customers.

<table>
<thead>
<tr>
<th>Company</th>
<th>HR Department</th>
<th>Recruitment Channels</th>
<th>Assessment Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>CEO</td>
<td>Ads, Personal Connections</td>
<td>1 Interview</td>
</tr>
<tr>
<td>Company B</td>
<td>CEO &amp; 1 employee</td>
<td>Ads, Exhibition, Website</td>
<td>1 Interview</td>
</tr>
<tr>
<td>Company C</td>
<td>CEO &amp; 1 employee</td>
<td>Ads, Agencies, Website, Cooperation (Schools)</td>
<td>1-2 Interviews, Internal assessment test, Company tour</td>
</tr>
<tr>
<td>Company D</td>
<td>3 employees</td>
<td>Ads, Website, Agencies, Head hunting</td>
<td>2 Interviews, Internal assessment center</td>
</tr>
<tr>
<td>Company E</td>
<td>23 employees</td>
<td>Ads, Website, Head hunting, Agencies, Cooperation, Online platforms</td>
<td>2 Interviews, 1 internal &amp; 1 external assessment center</td>
</tr>
</tbody>
</table>

Table 3: Overview of interview findings
5 Analysis

The following chapter presents the analysis in which the theory part together with the empirical data will be implemented in a focused way. The main aim of this chapter is to answer the research and sub questions to fulfil the purpose of the present thesis.

In order to systematically analyze the obtained results and therefore, to answer the posed research question, the analysis section has been divided into four parts. These are the familiness, P-O fit, family and nonfamily recruitment, and the recruitment process.

In connection and through the family involvement, family firms create a business culture which is more complex than in nonfamily firms (Cruz et al., 2011). These characteristics as well as the size of the business influence the recruitment process in family firms, for instance the size is commonly associated with the amount of resources and the number of recruitment channels an organization utilizes to find good candidates. Nevertheless, all of our interviewed family firms stated that they are highly dependent on an above average motivated and qualified employee structure to operate on their best capability (Behrends, 2007). Therefore, we will analyze the factors which our case companies paid most attention to during the recruitment process and try to depict how they find suitable employees in accordance to their respective firm culture.

5.1 Familiness

The analysis of our conducted interviews shows that the familiness of a family firm plays a very important role in its recruitment process. In the next paragraphs, it will be described how familiness, which includes the power, experience, and culture of the family, influence this process of our interviewed companies. We need to stress again though that our analysis does not aim at defining family firms in more detail because these companies are heterogeneous (Habbershon et al., 2003). Instead, our analysis will show how the multidimensional construct of familiness, especially the family culture, of each interviewed company shapes their individual recruitment processes.

As stated in existing literature, the familiness of a firm is a distinct aspect of each family company as it represents the overlap between the business, the family, and the individual family members (Chrisman, Chua, & Steier, 2005). Chirico et al. (2011) explain that familiness can lead to a competitive advantage since it differentiates the family firm from other companies. This can be seen, for instance, in the case of company A which actively promotes their family aspect to customers. Most of the small family firm’s competitors are big corporations and many of these firms try to get the best prices while forgetting the importance of reliability and long-term relationships. Hence, promoting their family values of reliability and loyalty helps to distinguish company A and creates a competitive advantage. Similar to existing literature of Maguire et al. (2013), we found that all of our interviewed companies are proud of their family firm status and openly market this not only in their
brochures, but also on their public websites. Even company E, which is not managed by family members anymore but is still 100% family owned, identifies itself as a family firm, considers its family culture as a source of pride (de Vries, 1993), and uses this to create a strong market position. Including the family aspect in the business is often highly valued by customers because it shows that family firms care about more than just plain numbers. This family firm characteristic of financial and nonfinancial goals makes them special and as mentioned by the interviewee of company E, this is the reason why customers prefer to do business with them. Furthermore, as emphasized by Zellweger et al. (2010), identifying as a family firm not only makes a business more attractive to customers, but also creates an image that is unique and thus, almost impossible to completely copy by competitors. This makes company E an intriguing example of a family firm in which the family is not a substantial part of the business anymore, yet the leaders perceive it to be a family company and actively promote the aspect of familiness to their customers to create a better market position and a competitive advantage (Zellweger et al., 2010).

Since the phenomenon of familiness is not directly observable, literature states that it has to be utilized by instruments such as the F-PEC scale (Klein et al., 2005). In the following, we will analyze our interviewed family businesses in terms of the F-PEC scale and its influence on the recruitment process. A summary of the results is shown in table 4.

Company A, B, C, and D are completely controlled by the respective families since they are family owned and managed by family CEOs. Hence, the family power over these businesses is very high, which is a typical characteristic of a family firm. Family founders/CEOs often have a domineering personality and more of an autocratic leadership style to maintain their power over the business (de Vries, 1993). When it comes to the recruitment process, we could see that the CEOs in companies A and B are very autocratic because they completely handle the process themselves. This has to be done due to the smaller sizes of the companies which do not require the creation of an HR department, and so the CEOs themselves take charge of recruiting new employees.

Even though the firms C and D are family controlled, the CEOs are willing to delegate tasks, which is also necessary considering the increasing sizes of these firms. Thus, the CEO of company C involves an HR representative in the process, and this indicates that he does not have an autocratic leadership style, but instead practices more of a participative leadership by involving someone else in the decision-making. The recruitment process of company D is completely led by the HR department because the CEOs trust them to make the right decisions. This is likely due to the founders’ values of straightforwardness and honesty since they know that if the HR managers are unsure about a candidate’s qualities, they have no problem to ask the CEOs for help.

Company E is an exception because family members are not allowed to work in management positions and thus, do not have an influence on the recruitment process of the firm to prevent nepotism. Nevertheless, the business is completely family owned and hence, the family still has some general power over the firm and dictates the firm’s decisions (Chua et al., 1999) through the shares held of the business and participation in the firm’s governance (Top et al., 2013).
Another dimension of the F-PEC scale is experience, which is the summed experience that a family brings into their business (Klein et al., 2005). Company A is in the second family generation and knowledge was transferred from the father to his son through actively involving him in the business from an early stage on, which Couture and Matajira (2015) described as typical for a family firm that intends to maintain their family ownerships across various generations. Hence, relevant family memory has been ingrained in the firm and the CEO tries to recruit employees who can work in accordance to these family values. Company B and C are in similar situations as they are also in their second family generation and aim at achieving a P-O fit with their recruitment processes, which will be demonstrated in more detail later on.

Since company D is still in its first family generation, there was not much time yet to ingrain the family memory into the business and hence, the firm does not score high on this dimension. Nevertheless, the respondent of company D mentioned that the founders’ values influence the business practices and that there is a wish for a family succession. A family succession allows family values to be kept alive and further practiced by the next generation, which is another typical characteristic of a family firm (Murray, 2003). As illustrated by Zellweger et al. (2010), when a family has a transgenerational vision for the company and controls the business, personal feelings arise and cause the family members to protect the well-being of the firm more extensively than in nonfamily companies. This was confirmed by the interviewee of company D who illustrated that the CEOs try to implement their values and protect their firm with the help of emotional support through encouragement.

The descendants of the family founders in company E still have some power over the business, but cannot actively work in management positions and do not influence the recruitment process. Even though the interviewee emphasized that the founders’ values still influence the business today, having no family members working in management positions makes it more difficult to build family memory since there is no generational transition phases in which this memory is passed on (Murray, 2003). Thus, company E scores lower on this dimension.

The last dimension of the F-PEC scale is culture and deals with the overlap between business and family values (Rutherford et al., 2008). As shown by authors like Neff (2015) and Denison et al. (2004), the family founders’ values have a very important role in shaping a family firm’s culture and are often transferred into future generations. The values of the family founder are still influencing the business culture of company A. These values are reliability as well as honesty and are actively practiced by the current CEO to also transfer them to the behavior of the employees. For instance, the CEO expects to give and receive an honest feedback to and from his employees, so that they can all realize what they might need to improve. Consequently, practicing this value of honesty not only helps them to improve their performance, but also creates a tighter bond between the employees and the CEO as trust is established.

Reliability as a core value was also mentioned by our interviewee of company B. The father implemented this value when he founded the business and it is still shaping the business and its recruitment process today. The CEO emphasized that he tries to recruit employees who
demonstrate this value of reliability through the wish to stay with the company in the long-run and by being willing to put in extra work for the business if necessary. Nevertheless, the respondent also acknowledged that values can change over time depending on the environment. When his father was founding the business, risk-taking was a concerning issue and done rather unwillingly. The perspectives of the next-generation owner are shaped by the current volatile market situation and he knows, for example, that it is absolutely necessary to take a calculated risk by investing in new machinery so that the company can stay competitive. This correlates to the findings of existing literature by Eddleston (2008) who states that a family business culture that can adapt to new owners is more likely to persist. This also shows that the business culture is not only shaped by the values of the family founder and each successive generation, but also by external factors like market opportunity (Martins & Terblanche, 2003), which creates a more dynamic and risk-taking culture for company B than it was the case when the business was founded.

The firm culture of company C is built on values of honesty, reliability, and participation. They were established by the family founder but are still actively practiced by the current family CEO, for instance, by not conducting the recruitment process alone, but together with an HR representative. He knows that these values are the basis for overcoming challenges and accomplishing long-term goals, so that the survival of the business can be guaranteed. Both family founders are still working in company D and thus, their values are shaping the firm culture. They value straightforwardness, honesty as well as a social responsibility, and through practicing these values on a daily basis, employees experience them directly. Being socially responsible for the local area is an aspect which was already mentioned by existing family business literature. As demonstrated by Van Gils et al. (2014), family firms often feel a greater commitment to their community and show a greater support of this community. Especially companies D and E emphasized this community support by actively supporting youth programs, social organizations, sports clubs in the local area. Although not explicitly stated by the respondents, it can be inferred from the interviews that this is also done to strengthen their local reputations, which in turn helps them to attract and recruit more employees from the area who identify with the firm’s values.

Apart from a social responsibility, the family business values of company E are stability and safety. They were implemented by the family founders and are utilized today by, for instance, ensuring a good work-life balance so that employees are retained for a long time. As mentioned by the interviewee, the pioneering spirit of the founder can still be felt today and forms the main part of the firm’s mission statement. This is the reason why the innovative activities of the business are not outsourced to somewhere else, but instead still take place in the original headquarter in Germany where the pioneering spirit is so highly valued. Consequently, company E is an interesting example of a family firm described by Zellweger et al. (2010), in which the original founding family is not an integral part of the business anymore, yet their values are not merely a symbolic element, but are integrated into the firm’s behavior and culture because it creates a competitive advantage for the business.

As the analysis above shows, family firms have a business culture which is shaped by personal family values. Furthermore, the interviews also demonstrated that having an
alignment between the culture and values among the firm and employees is necessary to achieve a high individual and organizational performance, which corresponds to the findings of authors like Edwards (2008). Both family values and culture influence the recruitment processes of the interviewed firms and what also became clear is that effective recruiting practices need to consider the culture and values of the firm to ensure a P-O fit (Cruz et al., 2011). All our respondents were aware of this necessity and the companies expect that their applicants share their values so that compatibility between the applicants’ values and the business culture can be created. To achieve this fit, the family business values are incorporated in the recruitment processes. Thus, we can conclude that the aforementioned cultural values of reliability, honesty, participation, stability, safety, and social responsibility shape the recruitment processes of our interviewed family firms. This can be seen, for instance, in company A which pays special attention to the number of job changes in an applicant’s CV as long-term commitment is valued. When an applicant changed jobs a lot of times in the past, the CEO concludes that this person does not want to work for the same company in the long-term. Since this does not correspond to the values of the firm, the candidate is not likely to get hired. Also, company D and E emphasized that they assess the long-term goals of candidates during their recruitment processes since they value stability and wish to employ people for a longer period of time. This is a common characteristic of a family business because they not only have financial but also nonfinancial goals, and wish to preserve their SEW. Especially this long-term perspective makes family firms unique and helps them to outperform nonfamily firms (Anderson & Reeb, 2003).

Straightforwardness and honesty are other values of company D that are incorporated into its recruitment process. This is done by pointing out to candidates that the CEOs have a direct approach to address issues and honestly telling them that if they do not like this, they will not enjoy working for the company. Hence, this family culture of honesty and straightforwardness that is embedded in the company may be less attractive to some candidates and consequently, the recruitment process of these applicants is influenced, just as it was described by authors like Colli (2003) and Cruz et al. (2011).

Although the values of the family founders shape the recruitment processes of all interviewed companies, it can be presumed that these values have a bigger influence in smaller family firms. This is because the size of a company creates certain conditions, for instance, in companies A, B, and C the family owners are actively involved in daily activities and hence, their values appear to be well preserved. Due to the limited amount of resources available to these small companies, the family owners are also actively involved in the recruitment processes, which lets us expect that their values influence the recruitment process to a greater extent than in companies D and E where this process is fully formalized and managed by an own HR department.
<table>
<thead>
<tr>
<th>Company</th>
<th>Family Power</th>
<th>Experience</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>High</td>
<td>Medium</td>
<td>Reliability, Honesty</td>
</tr>
<tr>
<td>Company B</td>
<td>High</td>
<td>Medium</td>
<td>Reliability</td>
</tr>
<tr>
<td>Company C</td>
<td>High</td>
<td>Medium</td>
<td>Honesty, Reliability, Participation</td>
</tr>
<tr>
<td>Company D</td>
<td>High</td>
<td>Low</td>
<td>Straightforwardness, Honesty, Social Responsibility</td>
</tr>
<tr>
<td>Company E</td>
<td>Low</td>
<td>Low</td>
<td>Stability, Safety, Social Responsibility</td>
</tr>
</tbody>
</table>

Table 4: Familiness utilized by the F-PEC scale of the interviewed family businesses

5.2 P-O Fit

The importance of having an alignment between the firm’s values and the applicants’ values, namely establishing a P-O fit, is something that all our interviewed companies agreed on because it is expected that employees who share the same values as the organization perform better (Cruz et al., 2011). However, studying how family firms incorporate the P-O fit into their recruiting processes is quite challenging due to the different forces which are specific for each individual recruitment setting. For instance, the smaller companies deal with the concept of P-O fit differently than the bigger companies that have more resources available for the recruitment process. Consequently, it is not possible for us to generally define the incorporation of the P-O fit into the recruitment processes of family firms, but instead we will analyze how this is done by each of our interviewed companies.

After the first stage of generating applicants for a job, the companies have to assess how well a candidate fits to the job and to the organization. Since the recruitment processes of company A, B, and C are more informal, they have no clear structure for this assessment, but instead tend to use gut feeling to assess the personality and thus, the fit of the candidate to the business. This corresponds to typical family firm characteristics of being less bureaucratic and more personal (de Vries, 1993). The respondent of company C emphasized that they try to interact with applicants not only during the job interviews, but also during site visits. This helps the firm to present its values, norms, and culture to the applicants, so they can see the immediate reactions of the candidates and analyze their responses (Walker et al., 2013). Hereby, they instinctively decide which candidate fits to the firm. It can be inferred from this that the fit perceptions of companies A, B, and C are not just created during these interviews and site visits, but are also a function of past fit perceptions with previous candidates. To be
able to use a gut feeling to instinctively decide who fits to the organization and who does not, requires past recruitment experiences. Even though there are no specific structures for the interviews, the companies know what they are looking for and what kinds of applicants have been proven to be successful employees in the past. Hence, companies A, B, and C use their knowledge from previous interactions with applicants during the recruitment process and their retrospective fit perceptions, as it was called by Shipp and Jansen (2011), to instinctively assess and predict the potential of a P-O fit with a current applicant.

While the smaller companies often do not have a big pool of applicants and hence, do not have a lot of choice between candidates, the bigger companies D and E receive multiple applications for a job position. This means that their recruitment processes contain more stages, for instance also assessment tests in addition to interviews. From this we can see that the so-called differentiation-consolidation theory (DCT) is especially relevant for the recruitment setting of these firms, as it argues that the attitudes of decision makers are positively or negatively influenced when they collect more information (Schneider & Shanteau, 2003). This means that the decision makers in the recruitment processes update their preferences toward individual candidates as they gather more information about them. Making clear differentiations between the applicants by integrating collected information simplifies the decision-making process as fewer alternatives remain before a final hiring decision has to be made (Brownstein, 2003). While Swider, Zimmerman, and Barrick (2015) demonstrate the importance of DCT in the recruiting context from the perspective of applicants, our analysis shows that, because organizations cannot hire multiple candidates for one job, they must accurately assess P-O fit perceptions with several candidates and also have to manage these perceptions in a manner that facilitates the final hiring decision. Consequently, recruitment is a decision-making process in which organizations have to differentiate among multiple candidates and make a hiring decision after they have collected more information to further assess the P-O fit. At the beginning of the recruitment process, the firms are likely to have a consistent perception of a P-O fit with all selected candidates because they were not able to collect more in-depth information about the applicants yet. Nevertheless, this changes during the recruitment process when an increased interaction with the candidates allows the organization to collect additional information about their values, as it was illustrated by Uggerslev, Fassina, and Kraichy (2012), which confirms Chatman’s (1989) proposition that potential recruits who interact with organizations through interviews, phone calls, etc. before being hired are more likely to share values similar to those of the business. This was also described by the respondent of company E who stated that the more information is gathered with the help of interviews and assessment tests, the clearer it becomes that there is a high level of P-O fit with maybe one or two candidates and lower levels of P-O fit with the rest. Thus, collecting in-depth information about the candidates during the span of the recruitment process is necessary to differentiate between applicants with a low and a high level of P-O fit. Resulting from this, we can recognize that the P-O fit perceptions of the companies change over time. Since candidates have to go through several recruitment stages in the companies D and E, namely interviews, follow-up interviews, and
assessment centers, these firms are aware that the P-O fit becomes more important and predictive of the recruiting outcomes later on in the recruitment process.

There are different ways in which the companies present information about themselves and collect information about applicants that influence how their P-O fit perceptions about the candidates change during the recruitment process.

Existing literature by Braddy, Meade, and Kroustalis (2006) describes how the visibility of organizational characteristics from media sources prior to the application process influences the early P-O fit perceptions of potential candidates. Even though companies A, B, and C have company websites, not a lot of information about their culture and values is presented here. Contrary to this, both companies D and E stated that they pay special attention to how they publicly present themselves and what is put on their websites as well as company brochures. This is done so that potential candidates can easily recognize the values and norms of the firms. Thus, it can be inferred that the bigger companies D and E, which both receive many applications, try to already narrow down the amount of applications by letting potential candidates assess if their personality fits to the company culture. Applicants are expected to develop perceptions of their own fit to the firm based on publicly available company information, so that only candidates apply who themselves are convinced that they share the organization’s values, as it was suggested by Swider et al. (2015). Letting people do some sort of self-selection prior to actually applying helps companies D and E to save valuable resources, considering that the whole recruitment process is quite time and money intensive. Since the smaller companies A, B, and C do not receive a large amount of applications, this could be one reason why they do not publicly display much information about their firm cultures so that all potential applicants will apply and can be assessed in terms of P-O fit. Their recruitment tactics of publishing job advertisements online or in newspapers are more intended to simply catch the attention of potential candidates, which was already illustrated by Barber (1998).

At this early stage of the recruitment process, the firms appear to have a consistent P-O fit perception with all applicants since they were not able yet to collect more in-depth information about the candidates. However, once candidates apply for a job position and the next stage of the recruitment process begins, the firms’ perceptions of the P-O fit are likely to change. As described by our interviewed companies, a more in-depth and critical review of the candidates’ attributes take place now. Consistent with DCT research by Swider et al. (2015), the firms select applicants who fulfill the basic requirements in the first part of the recruitment process, while they pay more attention to specific attributes of applicants which indicate a fit between them and the organization in the later stages when they are able to collect more information. Companies A and B try to assess these attributes during face to face interviews with the candidates, but as aforementioned, use their instinctive gut feeling to evaluate the P-O fit. In addition to interviews, company C tries to gather more information about the applicants’ attributes with the help of assessment tests to analyze their similarity with the organization. Thus, these tests shape the P-O fit perceptions of company C, however, the final hiring decision is also made more instinctively after carefully assessing the qualifications and competencies of candidates. The firm sizes of company D and E create a
more extensive recruitment processes due to available resources and hence, these firms are able to not only invite candidates for several interview rounds, but also for assessment centers. With the help of external consultants, these assessment methods are considered by the organizations as more complete and intensive sources of information to correctly evaluate the candidates' fit. These tests were specifically designed for the individual purposes of the organizations and include methods from the field of psychology. Consequently, the assessment tests of company D and E are likely to vary from each other based on their individual needs. Since this is a very sensitive topic and the respondents are aware that this thesis will be made public, they were not willing/allowed to give us more information about the specifics of these tests. As they explained, they invest a lot of money into developing these tests and do not want to risk that potential applicants already know what exactly is expected from them during the assessment centers. The respondent of company D further emphasized the importance of having candidates acting spontaneous and being true to their personality when taking these tests, otherwise the companies will not be able to gather accurate information about their characteristics and cannot correctly assess if they fit to the business.

As our analysis shows, even though the formality and assessment methods of the recruitment processes can differ between the companies, depending on their available resources, recruitment settings, and needs, all of them pay special attention to the P-O fit. The perceptions of P-O fit with the candidates change over time when more information is collected. The interviewed companies confirmed they consider less positive or even negative changes in their P-O fit perceptions as a warning sign that indicates the risk of recruiting someone whose norms and values do not correspond to the organizational culture and thus, who is less likely to fully integrate into the business and perform effectively. The respondent of company D explained that this is because professional competencies can be learned on the job, yet the character and personality of an applicant are difficult to change and even this can only be done to a certain extent. Consequently, if a candidate does not fit to the firm’s culture and values none of our interviewed companies, no matter their size or the formality of their recruitment process, would hire them.

This attention paid to recruiting an employee whose values fit with the ones of the organization appears to be common for family firms with SEW as they are more likely to consider a lower P-J fit to be addressable after the last recruitment stage with on-the-job training, yet assume that a lower P-O fit is difficult to address later on and might damage their SEW (Cruz et al., 2011). As our conducted interviews confirm, family firms have a wish for SEW preservation, a combination of financial and nonfinancial goals, and often a transgenerational vision. Consequently, they try to hire employees who share these values and are willing to integrate into their family context, so that the family values can be kept alive and are still influencing the business after the founder might have left.

What was interesting to see is that companies B and C pointed out the difficulty of correctly evaluating the personality of a candidate and stated that time is the only factor which shows if a person really fits to the company. This corresponds to their use of a retrospective P-O fit
perception to instinctively assess if a current candidate fits to the business and hence, take a calculated risk. Once the hired employee works in the company on a daily basis, the CEOs are able to see if this person really shares the same values. If this is not the case, their retrospective P-O fit perceptions are influenced in so far as they might not recruit someone in the future who shares similar characteristics as this previously hired employee who turned out to not be fitting after all.

Contrary to this, the two larger firms D and E which make use of special and more costly assessment methods, are convinced that they can correctly evaluate the P-O fit already during the recruitment process, possibly because their assessment methods depend less on a retrospective P-O fit perception. Analyzing if this holds true in reality is not part of our thesis purpose, but would be an interesting aspect for future research.

5.3 Recruitment of Family and Nonfamily Members

As we have demonstrated in the frame of reference, existing literature claims that even though the pools of family and nonfamily applicants differ, the recruitment approaches for these applicants are related and should complement each other (Memili & Welsh, 2012). However, from our conducted interviews, we saw that the companies with more informal recruitment processes tend to use different approaches for recruiting family or nonfamily members. For instance, company A explained that in theory the recruitment process should be the same for every candidate. Nevertheless, the CEO admitted that he asks less critical questions to family members during the interview because he already knows them personally and hence, is already sure their personality and character fit to the firm culture. This behavior is typical for a family firm since existing literature from authors like Cruz et al. (2011) and Leung (2003) shows that family owners wish to know in advance how well a person fits to the organization, and by using their social networks to recruit employees they can attract candidates who they already know personally, so they can be sure that the candidate shares the same values as the company (Montgomery, 1991). Consequently, as long as a family candidate possesses the necessary skills for the job, company A would prefer them to a nonfamily applicant.

Also, the respondent of company B stated that they would like to be fair during the recruitment process, but since the personality of the family applicant is already known, they have a slight advantage. As indicated by Gersick et al. (1997), this is because family firms that have a more informal recruitment process, which can be due to their size, tend to employ family members and friends on the basis of personal referrals. The small sizes of companies A, B, and C create certain conditions for the firms, namely that the family founders/CEO are actively involved in the recruitment process as less resources are available for an own HR department. Consequently, this feature of people fulfilling multiple roles and the strong family involvement, which is a distinguishing characteristic of a family business, also influences the recruitment procedures of the firms. As illustrated by Whiteside and Brown (1991), relationships among family members in a business often differ from relationships with nonfamily members, which is not necessarily better or worse, but it means that the
relationships within family firms are more complex. Especially because our interviewed companies have a family history with relationships that extent beyond merely the work environment, they have an intensified emotion toward their firms. We can infer that this close emotional connection to the business is a reason why companies A, B, and C prefer to hire family over nonfamily members. They wish to preserve their own family values across generations, so that they still influence the business processes once the original founder has to leave the firm. Nevertheless, one has to keep in mind that there can also be negative consequences of a strong family involvement. For instance, having overlapping roles can lead to a rather confusing organization of processes and preferring family over nonfamily candidates might imply nepotism. Our interviewed small firms seemed to be aware of these risks but, stated that these problems do not occur in their own businesses. However, when asking follow-up questions, some respondents were not able to elaborate on how they actually try to prevent these risks from happening, which is why we assume that there is no clear strategy implemented for this. Instead, the companies deal with these issues in a rather informal and more instinctive manner. This endorses the findings of Kidwell, Eddleston, Cater III, and Kellermanns (2013) who consider hiring family members, regardless of their potential, to preserve family values as a common behavior of small family businesses.

On the other hand, companies D and E, which both have a more formalized recruitment process, explained during the interviews that they do not distinguish between family or nonfamily applicants. The case of company E is a slight exception though. The interviewee emphasized that the recruitment process for any job position is exactly the same for all applicants since the company is driven by controlled and standardized processes. However, because family members are not allowed to work in management positions, this business only employs nonfamily members for management positions to avoid nepotism. This corresponds to the research conducted by Cruz et al. (2010) who found out that the level of nonfamily employment for management positions increases with the size of the firm. Moreover, Gómez-Mejía et al. (2007) propose that the emphasis on SEW preservation decreases with the growth of the firm as it changes from the family founder to a nonfamily and professionally managed firm and thus, the level of family influence on HR practices mitigates (Schulze et al., 2003). From this we can conclude that the professionalization of a business, which typically takes place as the firm grows in size, leads to different ways in which the family influences organizational practices, in our case the recruitment process. Even though the values of the family CEOs in company D shape their recruitment process, as we have analyzed before, the CEOs are not directly involved in the process anymore. Instead, they trust the HR department to make the correct recruiting decisions and only get involved when it is a very specific situation in which the HR managers require guidance. The interviewee of company D commented that the recruitment process cannot be different for family and nonfamily members since their skills and personality determine whether they are hired and not their family status. Otherwise, hiring a family member who does not possess the required skills for effectively performing the job can have negative consequences for the business as the overall performance is decreased. Furthermore, Barnett and Kellermanns (2006) also described negative consequences of this behavior in terms of a decreased motivation, and consequently
performance, of other nonfamily employees because their justice perception of the firm’s HR practices can be reduced when they realize that unqualified family members are employed.

Therefore, it can be concluded that all our interviewed family firms expect candidates, no matter if they are family or nonfamily members, to possess the necessary skills for a job, which means that the P-J fit is a basic requirement for being considered as a potential employee. However, the companies also expect candidates to fit to the organization, so that a P-O fit is achieved as well. The larger companies with more formalized recruitment process hereby make no difference between family or nonfamily candidates, and use the same P-O fit assessment methods for all applicants. Contrary to this, the smaller companies tend to prefer family candidates whose personality is already known to the CEOs. This is likely to be the case because the values of the family founders are more preserved in these companies, considering their active involvement in daily activities. This means the pervasive characteristics of the respective family culture are even stronger enforced and incorporated when applicants are invited for interviews. The stronger impersonation of the culture is inherently visible in the owner’s personality and presence, which they try to incorporate through leading by example and in turn demands from all employees to work towards a common mission. Thus, even though the values of the family founders also play an important role in companies D and E, these values have a stronger influence on the recruitment practices in the smaller companies, and due to their wish to preserve their family values across generations, these firms prefer family over nonfamily applicants. This preference for family members even goes so far in company A that they might even hire a family member who does not possess the necessary skills yet for the job because the owner believes that they can learn them on the job. Consequently, this company considers a P-J fit as a basic requirement for nonfamily members, but makes an exception for family members. To preserve his family values, the family firm leader tends to hire family members regardless of their potential, which is a finding that is endorsed by authors like Kidwell, Eddleston, Cater III, and Kellermanns (2013) who define this as a common behavior of small family businesses.

An interesting side note is that some companies also mentioned disadvantages of being a family member. For instance, company B pointed out that family members in management positions can have problems of not being fully accepted by other employees when they think that this person was only employed because they are part of the family. Company C mentioned that it is beneficial if a family member also works in another company first to broaden their horizon and develop new skills. However, the respondent stated that it can be rather difficult for a family member to get employed in another firm since other businesses know that the family member will return to work at their own company after some time. These two problems that were addressed by our interviewed firms are beyond our scope of research, but could be an interesting point for further research.
5.4 Recruitment Process

Gomez-Mejia et al. (2012) list four questions that a business needs to answer for establishing an effective recruitment process. These are: What methods will be used to recruit new employees? What job and employee characteristics should be examined and how should they be examined? Should the fit of the employee to the firm culture also be assessed? Who makes the final hiring decision?

We applied these questions to the answers of our interviewed companies and identified that companies A and B use formal recruitment methods like posting job openings in local newspapers or on the firm website, but also make use of more informal recruitment methods, such as social networking. This means potential employees known for their good skills or personality are contacted directly via a person’s network, which is a method characterized as common for family firms with a SEW emphasis (Cruz et al., 2011). When CEOs or sales and distribution employees travel for the business or have appointments with partners or customer firms, they try to build up their network. Although this recruitment method is less frequently used in larger firms (Tanova, 2003), the smaller companies A and B use it as an internal strategy to potentially recruit valuable people in the industry without having to directly compete with competitors when making use of an external recruitment process, and also to save valuable resources such as time and money (Acquaah, 2012).

Companies C, D, and E tend to use recruitment agencies for management positions since they make a pre-selection of candidates based on competences. However, this can only be successful if it is clearly defined what the firm is looking for. As described in existing literature, this is necessary so that the agency consultants get a good insight into the company, its culture, and what it is like to work for this firm (Fowler, 2016). When they have a good understanding of the company, it is easier to pre-select candidates who fit to the organization. Nonetheless, these agencies only make the pre-selection of candidates based on their skills and personality but the rest of the recruitment process is fully conducted by the respective family firm. The assessment methods used for further evaluating candidates consist of questions about an applicant’s personality, work-related behavior tests, deductive, verbal, and numerical reasoning exercises, as well as teamwork tasks that help the company to analyze how a candidate integrates and behaves in a social context. As explained by Hornby (2013), these methods are not used to evaluate a P-J fit, but rather to assess a fit of the candidate to the organization. Consequently, these assessment tests play a defining role in the recruitment processes of family firms like company C, D, and E.

Moreover, company E tries to internally promote employees as much as possible. In this case, the company benefits because employees who are already working for the organization are easier to assess and superiors can accurately give credit about their work experiences and personality. This finding suggests that the values and norms within a family firm create certain expectations for employees and lead to a higher commitment to the organization as they know that the firm will try to promote and retain them over a long period of time (Pearson et al., 2008). Consequently, it can be confirmed that the familiness and values like stability and trust, which exist within family firms such as company E, tie employees to the
business, motivate them to perform better, and ultimately enable family firms to sustain their growth (Mani & Lakhal, 2015).

This analysis shows that companies A and B not only use informal recruitment methods like social networks, but also formal recruitment methods as defined by Ma and Allen (2009), for instance online job postings. Nevertheless, the rest of their recruitment process is handled in an informal way. As shown by Hunter and Schmidt (1982), formal recruitment methods appear to be more effective for obtaining a P-J fit, since they help to reach more candidates. Not only does existing literature consider formal recruitment methods more effective for achieving a P-J fit, they also claim that formal recruitment methods are in fact less effective for achieving a P-O fit, because they include a large number of applications and it is more difficult to filter out candidates who do not share the same values as the business (Gorter & Ommeren, 1999). Our findings support these theories in so far as that the family firms A and B use informal recruitment methods like social networks because they allow them to recruit people who they already know personally and hence, are convinced that a P-O fit is guaranteed. However, also the companies which prefer formal recruitment methods consider their recruitment approaches to be effective for achieving a P-O fit and treat the P-J fit as a basic requirement. Consequently, we propose that the choice of formal or informal recruitment methods does not only depend on whether the firm values a P-J or P-O fit. Instead, this choice is also based on the amount of resources that is available for the recruitment process in each company, which is in turn dependent on the size of the business.

Another point to note is that authors like Ransburg et al. (2016) advise family businesses to take a more proactive approach to recruiting than the traditional recruitment process illustrated by Barber (1998). This can be achieved by doing some upfront thinking about what characteristics candidates’ need to possess to fit to the company, so that the pool of potential applicants can be better determined before starting the actual assessment. It has to be kept in mind though that many authors like de Vries (1993) and Ransburg et al. (2016) do not distinguish between the amount of applications received by the organization. From our analysis, we conclude that companies A and B follow the traditional recruitment process as they evaluate all candidates who apply. Since they often do not have a large pool of potential candidates to choose from, it would not be helpful for them to narrow down this pool beforehand with other assessment measures. On the other hand, the companies C, D, and E use a reverse-funnel approach for management positions open to external candidates, since they let recruitment agencies know what values and personalities the applicants should possess, so that they can narrow down the amount of applications and only appropriate candidates are further assessed by the company. This helps the firms to save valuable resources and consequently, our findings support Ransburg et al.’s (2016) argument for using a reverse-funnel approach to recruitment, however only for family firms that receive many applications. To visualize the difference between using a traditional recruitment approach where all applications are evaluated by the family firm to identify who should be invited for interviews, and a reverse-funnel approach where a recruitment agency makes a pre-selection
of candidates based on criteria of the companies so that only a few skilled candidates are further assessed by the firm, we included a figure of these approaches (see figure 4).

![Figure 4: Traditional Recruitment Approach and Reverse-Funnel Approach](image)

As a final point in this analysis, we want to explore how the recruitment practices of our interviewed family firms contribute to their sustained competitive advantage based on Barney and Wright’s (1998) RBV, which was described in the frame of reference. Overall, the recruitment processes of all companies add value, since they try to avoid hiring mistakes by selecting candidates who fit to the job and the organization, so that they stay with the business for a long time and turnover costs are reduced (Ma & Allen, 2009). Furthermore, all companies approach the candidates in an appropriate manner and present themselves in a positive way, for instance through company tours. This is not only a good way to display the firm’s values and norms to the applicants (Walker et al., 2013), but it also increases the firm’s attractiveness, which is underlined by Swider et al. (2015). Thus, the recruitment process also adds value by developing a good reputation for the business, so that other skilled candidates are more inclined to apply for a job at the company (Chrisman et al., 2003). Especially for companies A and C it is important to recruit employees who not only possess management knowledge, but also special technical skills. Hence, their recruitment practices aim at attracting employees who possess rare skills that competitors do not have (Sirmon & Hitt, 2003). Since company D and E have customized assessment tests in place, their recruitment processes are rather difficult for competitors to imitate and thus, create a competitive advantage for the business (Taylor & Collins, 2000).
<table>
<thead>
<tr>
<th>Company</th>
<th>Recruitment methods</th>
<th>Assessment criteria</th>
<th>Evaluation based on</th>
<th>Selection decision made by</th>
<th>Type of recruitment process</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Informal/Formal</td>
<td>P-J &amp; P-O fit</td>
<td>Personal decision</td>
<td>CEO</td>
<td>Traditional</td>
</tr>
<tr>
<td>B</td>
<td>Informal/Formal</td>
<td>P-J &amp; P-O fit</td>
<td>Personal decision</td>
<td>CEO</td>
<td>Traditional</td>
</tr>
<tr>
<td>C</td>
<td>Formal</td>
<td>P-J &amp; P-O fit</td>
<td>Personal decision</td>
<td>CEO &amp; HR managers</td>
<td>Reverse-funnel</td>
</tr>
<tr>
<td>D</td>
<td>Formal</td>
<td>P-J &amp; P-O fit</td>
<td>Assessment tests</td>
<td>HR managers</td>
<td>Reverse-funnel</td>
</tr>
<tr>
<td>E</td>
<td>Formal</td>
<td>P-J &amp; P-O fit</td>
<td>Assessment tests</td>
<td>HR managers</td>
<td>Reverse-funnel</td>
</tr>
</tbody>
</table>

Table 5: Overview of interviewed family firms’ recruitment processes
6 Discussion

The following discussion of the presented research paper underlines important findings and highlights contributions made to existing literature.

Findings reveal that the size of a family firm represents an influencing factor which creates certain conditions for the recruitment process. In smaller companies the founders/owners are actively involved in recruiting activities and consequently, their family values and personal traits shape these practices to a substantial extent. We found out that their dominating personality and centrality in the family business can lead to contradictory values (Denison et al., 2004) in terms of their desire to establish a prosperous business, yet having problems of sharing power through delegating tasks that are relevant for the organizational survival. Since recruitment is one of these essential tasks, the family owners take full responsibility for employing people who fit to the business. However, due to their wish for SEW preservation, it appears like they hesitate to recruit employees who show high levels of initiative or leadership ambition, so that their own role is not threatened. Nonetheless, as demonstrated by Nelissen, Forrier, and Verbruggen (2017), hiring self-driven employees is necessary for moving the company forward and to keep up with competitors. Although not explicitly stated during the interviews, analyzing the firms’ background information demonstrated that delegating important tasks like the recruitment process can be difficult for family leaders. Contrary to this, family owners who are willing to do so can professionalize their organizational processes by, for instance, letting HR managers solely handle the recruitment process. This finding implies that professionalization leads to differences in how the family influences the recruitment process as they are less involved in the actual process and thus, their SEW plays no decisive role anymore (Cruz et al., 2011). As a result, there is a shift in responsibility from the family CEOs to the HR department, which means that the leadership style changes from being autocratic to allowing more participation. Through these findings, we can add to the knowledge of existing family business literature by claiming that family values are a crucial part of a business, but should not be hindering the recruitment of high-potential managers who have the ability to develop talent and performance in the employees they will be leading. Consequently, we propose that family values, which in our cases consisted of reliability, honesty, participation, stability, safety, and social responsibility, should foster the recruitment of managers with such leadership development qualities. Recruiting these managers allows achieving not only a P-J and P-O fit, but also benefits existing employees. This is because employees can learn from the skilled recruits and are likely to work in alignment when they all share the same family values and identify with the firm culture. Thus, our findings support the research of Edwards (2008) and show that establishing a coherence between the firm’s and the employees’ values is important for the organizational and individual performance. With regard to incorporating P-O fit in the recruitment process, our results expand the research conducted by Shipp and Jansen (2011) and imply that smaller family firms make use of their retrospective P-O fit perceptions created through previous interactions with candidates to instinctively assess a potential P-O fit with a current applicant. In contrast, larger family firms with more applications have a formalized recruitment process and use specifically designed assessment tests. By incorporating the
concept of DCT into our analysis, the findings build on Swider et al.’s (2015) research and expand it into the context of recruitment from an organizational perspective through illustrating that decision makers update their preferences toward individual applicants as they collect more in-depth information about them in different recruitment stages. We propose that organizations are likely to have a consistent P-O fit perception with all applicants at the beginning, but that intensive interactions with them during the span of the recruitment process are used to differentiate between candidates with a low and a high level of P-O fit. Recruiting someone who possesses the necessary skills, but whose personality does not fit to the organization is considered as damaging for the company since they are less likely to effectively integrate into the business, and hence their performance will suffer.
7 Practical Implications

This chapter offers practical advice to family businesses that was derived from the analysis and discussion of our conducted interviews.

One challenge that might come up when recruiting family members is that CEOs can have a biased image of their personalities and qualities. Thus, it is important that the CEO is willing to delegate recruitment tasks to the HR department which ensures an objective evaluation of the family applicant’s fit. As seen from our interviews, this is not always done in practice, especially in firms such as company A, B, and C where the CEO simultaneously also acts as the HR manager. It would not make sense to add too much bureaucracy in smaller companies, nevertheless we would suggest that the CEOs try to clearly define, in accordance with the HR department, which skills and characteristics are required from potential candidates to implement a recruitment process which offers transparency and fairness.

As mentioned before, it is important that the character of the applicant fits to the firm’s cultural values. Hence, there are several points that one should pay attention to when trying to evaluate the fit of a candidate, for instance, their appreciation of family traditions and culture or their long-term focus. Even though a family member’s character is already known, it is usually only known in a familiar context, but not in a work context. Therefore, asking the same questions to all candidates to evaluate their behavior in a work context is important. This also means that it is absolutely necessary to be aware of and to understand your own family business culture before starting the recruitment process in order to be able to assess any candidate’s fit to the firm culture.

Assessing a P-O fit of candidates can create ethical and social ramifications. Through our conducted interviews, we were made aware of privacy and discrimination concerns, for example demanding a photo of the candidate on their CV can influence the impartial judgement of recruiters. To prevent these issues from occurring, Germany has a pending law prohibiting companies to request applicant photos. Nonetheless, we believe that this law cannot hamper potential discrimination based on physical appearance during the later recruitment stages when personal interactions take place. Recruiters should become aware of how these factors might influence their decisions so that their judgment is not misled by irrational aspects like applicant demeanor.

Although we are convinced that P-O fit assessment is absolutely necessary, we identified another ethical aspect to consider. This is the psychological stress that applicants might experience during intensive assessments, for instance when they have to take part in multiple evaluations which can be time consuming, even though the chances of being employed are minor due to the competition against other candidates at this level. We advise companies to design a recruitment process which allows applicants to become aware of their own competencies through feedback given by the firm. This can help them to further develop themselves despite potentially not being hired at the end of the process.
8 Conclusion

The conclusion of this master thesis contains a brief summary of the researched topic and the findings. Final conclusions regarding the posed research question are drawn. This section also encloses the limitations of the study and depicts suggestions for further research.

The presented master thesis is a small-scale exploratory study, which aims to shed light on the factors influencing the recruitment practices within family firms. The study was guided by the concepts of family-based culture and values, family and nonfamily recruitment, and the P-O fit. Focusing on these themes helped to comprehensively explain the posed research question of *How do family firms recruit suitable employees for management positions who can work in alignment with the underlying culture, values, and familiness of the family business?*

Family values and culture are part of the construct of familiness, which is a complex factor and difficult to precisely define. In the cases of our interviewed family firms, stability, trust, reliability, participation, honesty, and social responsibility were identified as the main family values influencing the organizations’ recruitment processes, however, these can vary in other family companies. Due to their strong impacts on the recruitment process, these family values are likely to be carried on beyond the current family generation, especially in smaller family firms where they are well preserved considering that family CEOs are actively involved in the recruitment process and prefer family over nonfamily applicants. It was found out that the professionalization of a family business diminishes the impact of family founders’ SEW on the recruitment process and hence, no difference is made between family and nonfamily applicants in these firms. This fosters the progression of the business because an autonomous HR department is able to objectively recruit self-driven managers.

P-J and P-O fit are the two main pillars of recruitment. While appropriate skills and competences of an applicant are necessary for being invited to interviews, the character of a person and their alignment to the underlying family culture are the determining factors for being hired. We found out that P-O fit can only be assessed through observation and interaction with the candidates, which forces family firms to invest a great amount of resources in developing appropriate measures. These can consist of instinctive evaluations and retrospective fit perceptions or specifically designed assessment tests.

8.1 Limitations

The presented thesis has reached its aim in investigating the recruitment process of family firms and helps to give a clear overview of what family businesses value. This study, however, was conducted in a limited time span, which caused us to focus only on recruitment and selection, while neglecting onboarding, development, and exit. Moreover, financial limitations influenced the execution of the interviews, therefore all of them were conducted via Skype (Video) or Skype for Business (Phone). We believe that if the interviews were conducted face to face, this would have given each participant the opportunity to experience a better setup and provoked respondents to share more insightful
information. The way in which the interviews were conducted could have influenced our respondents due to possible delays of internet connections, body language, or the way of talking. Thus, it might be possible that descriptions and explanations slightly deviated or were kept shorter than if the interviews were conducted face to face.

The interviewees asked to receive the interview questionnaire beforehand as they wished to be fully prepared before conducting the interview with us. However, this could have prevented respondents from sharing more spontaneous answers with more insights.

It has to be kept in mind that our findings cannot be generalized because our sampling consisted of family firms with heterogeneous characteristics. On the one hand, this gave us more unique insights into their individual recruitment processes, but it also restricted our research in terms of more holistic comparisons.

Lastly, another limitation is the anonymity of all our participated companies. Three out of five firms gave permission to use company and respondent names in order to raise the level of credibility to readers of this thesis. However, we decided to keep every party anonymous to have a consistent appearance of the material throughout the thesis. It also eased the writing and diminishes confusion for the reader.

8.2 Suggestions for Further Research

While conducting this study, we realized that there are several interesting topics that were beyond our scope of research, but which would be worthwhile to consider for further research.

One interviewee mentioned that an increasing number of applicants express the wish to work in smaller firms, because being one of thousands of employees in the system of a large cooperation makes them feel invisible. A trend of future generations could be that smaller and midsized firms can benefit from this point of view and ultimately get a larger pool of applicants in the near future. This trend could be an interesting point for future research to analyze if the amount of applications for small and medium sized companies increases due to their more personal working atmosphere.

Another impulse for further research could be the assessment of P-O fit after the selection of an applicant. Smaller companies said that only time will show if an employee reveals to really fit into the firm culture and integrates as a matching part. Larger firms, on the other hand, appeared to be fairly convinced that they can assess personalities and character roles through assessment centers and structured interviews. A specific research could test if this holds true.

Specifically related to family members, it was discovered that family members supposedly can also have disadvantages when entering the family business or applying at other companies. First of all, it was mentioned that family members can face a rejection of other employees when they think the person only got the job because of their family member status.
Reasons such as lack of competences and why this may be the case could be further researched. Secondly, it was described that sons or daughters of business owners can have troubles convincing other companies that they have genuine intentions of joining this business rather than going back to their family firm in the short run. Since existing literature as well as our conducted interviews show that acquiring experience by working in another business first before taking over a management position in the own family company can be beneficial, it could be relevant to investigate if this problem occurs in reality and if yes, how descendants of family firm founders overcome this challenge.

Lastly, our thesis was mainly focused on analyzing the external recruitment of family firms. However, we noticed that family businesses, to some extent, also make use of internal recruitment channels. For instance, company E mentioned that 50% of their management positions are filled with employees who were internally promoted. As it was beyond our scope of research, we did not ask any follow up questions about this topic. Thus, we would suggest that further research could try to analyze how family firms deal with internal recruitment, potentially in comparison to our results about external recruitment processes.
9 References


10 Appendix

Interview Questionnaire: Recruitment within Family Businesses

Introduction:

1. How many employees currently work for your business?
2. When was the business founded?
3. Is the family founder still actively working in the firm and if yes, in which position?
4. How many family generations have been working in the company?
5. How many family members are currently working in the business at the management level?
6. How was the knowledge of the older generation transferred to the younger generation?
7. Do family members own shares of the company?
8. What is the vision and mission of your company?

Background:

9. What characterizes your company?
10. How many departments does your business have?
11. How many hierarchical levels exist within the firm?
12. Could you describe the process structure within the company?
13. Which values should your employees possess?
14. How would you describe your personal connection to the business?

HR department:

15. Do you have an established HR department and if yes, how many people work in this department?
16. How many family members work in the HR department?
17. How is the employee demand for management-level jobs?
18. From your experience, would you say that your business sometimes loses talented employees?
19. What strategic role does the HR department have in the business?
20. How does the HR department ensure a high-performance working atmosphere within the firm?
21. Which roles/responsibilities does the HR department have?
22. Which role of the HR department is the most relevant for the organizational survival/performance? (recruiting, selection, onboarding, development, exit)

Family business:

23. What family founder values exist in your company?
24. Could you describe, in your own words, how the values of the family founder affect the business culture?
25. Are family values directly or indirectly implemented within the business? (directly e.g. through displayed lists of business values or the behavior of employees; indirectly e.g. through the influence of the board?)
Recruiting:

26. If management positions are vacant and need to be filled, how would you describe the general process in the family firm to find suitable applicants/candidates?
27. Where do you look for suitable candidates?
   From your experience, which way has proven to be the most successful or sufficient?
28. Do you have experiences with using recruitment agencies?
29. Does the recruiting process differ for family members compared to nonfamily members? If yes, how and why?
30. How and where will you look if the candidates are shown not to be the right ones?
31. How big is the influence of the CEO on personnel decision in your enterprise (e.g. filling an important job position in leading positions)?
32. To which factors do you pay attention when personnel decisions are made?
33. How important is the role of P-O-fit for personnel decisions?
34. How is P-O fit assessed in your company?
35. Is either P-J or P-O fit more important for you during recruitment? If yes, in which situations?
36. Is competence/skills dominant over moral concept regarding the personnel decision?
37. Do you pay attention to the long-term goals of the applicants/candidates?
38. Do the family culture and values play a role in the recruitment process? If yes, how so?
39. Would you characterize your recruitment process as a traditional approach or a reverse-funnel approach?
40. What advantages/disadvantages do you get from using the traditional or reverse-funnel approach to recruitment?