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## Family Firm Culture and Performance: Specific Empirical Evidence

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### Abstract

The purpose of this study is to connect culture and performance in family firms. Survey data measuring cultural attributes and performance were collected from 149 family-firm members in Ukraine and the U.S. Two countries of very different culture and stage of national development are included to insure the cross-cultural validity of findings. Correlation results showed significant support for the proposition that specific cultural attributes positively affect firm performance. Six out of seven cultural attributes can be shown to correlate with one or more performance measures. This research is original in finding an empirical relationship between specific cultural attributes and firm performance.

**Keywords:** Culture, Family-firms, Entrepreneurship, Performance

### Introduction

This study looks at family firms in two countries (Ukraine and the U.S.) and empirically investigates the link between the firm's family cultural values and beliefs with firms' performance. Family-owned firms dominate economies throughout the world, and are a major source of entrepreneurship, but research in this area is only now becoming substantial, especially in a cross-cultural way. Family firms in two very diverse countries have been sampled to ensure that results are not specific to a single culture. Entrepreneurship is a major driver of developing economies although a developing economy's culture may be an inhibitor (Todorovic and McNaughton, 2007) and thus Ukraine is an especially appropriate country to study in this regard.

Gordon and DiTomaso (2007) found that strength of culture and values of adaptability are predictive of firm performance. The national cultures of firms have been found to influence firm culture and have a direct impact on firm performance (Halkos *et al.*, 2008). Firm culture affects performance more than does national culture (Naor *et al.*, 2010).

Although family firms can be differentiated by type and performance (Dyer, 2006), family-firm literature in general suggests that family firms outperform nonfamily firms and that an important part of their competitive advantage is due to family culture (Eddleston *et al.*, 2008). Of five dimensions of culture including region, urbanization, nativity, ethnic mix and family involvement, only family involvement consistently affects firm performance

(Chrisman *et al.*, 2002). Family culture is said to have a strong effect on goal-sets (Sharma *et al.*, 1997), strategy (Davis, 1984; Dyer, 1994; Sharma *et al.*, 1997; Hall *et al.*, 2001), as well as directly on performance (Dyer 1986; Ram, and Holliday, 1993; Whyte, 1996). A family firm's culture of commitment is positively associated with strategic flexibility and thus its survival and success (Zahra *et. al.*, 2008). Eddleston and Kellermanns (2007), found that altruism was positively related to family firm performance. Barney (1986) holds that an inimitable culture can be a source of sustained competitive advantage. If cultural values that are valuable to success are embedded into the family, the family firm may have a competitive advantage. Companies that have substantial ownership control, such as family-owned firms, should have strategies and structures that come closer to maximizing ownership value than do companies without significant ownership control (McEachern, 1975). In addition, family firms are probably superior to any other type of organization in maintaining its culture between generations (Gersick *et al.*, 1997).

There may be a problem of family firm performance measurement producing contrary results, as most performance studies are based on large, publicly listed firms, while family firms are usually small and not publicly listed (Rutherford *et al.*, 2008). In addition, most empirical family business research compares family firms with nonfamily firms. This may be too simple as various family firm cultural attributes may differ widely in interaction with actual business performance indicators. Although the cultural attributes of family firms have been described and compared with nonfamily firm culture, very little empirical research has linked specific family firm culture attributes with firm performance. This study contributes to our limited understanding of the linkage between culture and performance by empirically and quantifiably measuring specific value and belief cultural attributes of family-owned firms in two countries and correlating them with aspects of firm performance.

## Hypotheses

Every culture includes a range of values and beliefs, some of which can be measured via survey questionnaires. This study will correlate seven family-business cultural construct measures with a range of self-reported performance measures to find which constructs are related, either in a positive or negative way, with performance.

*H1: Culture construct mean scores collected from samples of small to medium-sized family business members will correlate significantly with one or more of six self-assessed performance measures.*

The second set of hypothesis addresses the specific relationships that are expected to be found between culture measures and performance indicators. It is hypothesized in this study that attributes of family-firm culture will correlate positively with performance.

Leung and Bond's (2004) research finds that Spirituality relates positively with a stronger endorsement of humane leadership, longer working hours, more frequent church attendance and a higher level of agreeableness. Family firm members are more committed (Mattessich and Hill, 1976), harder working (Benedict, 1968; Ram and Holliday, 1993) and longer-serving than non-family members (Wong, 1988; Song, 1999). Moscetello (1990) finds that family organizations have less managerial politics. Adams *et al.*, (1996) find that a family firm's leadership is more unlikely to impose bureaucratic codes of ethics and is more apt to lead using role modeling. Lyman (1991) states that family values are emphasized over

corporate values and family-firm leaders more likely to exemplify integrity and commitment to relationships. (Brice and Richardson, 2009)

Family firm members have been found to score relatively high on Spirituality in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2a: Mean Spirituality scores for family-firm members will be positively related to one or more performance measures.*

Leung and Bond's (2004) research finds that Reward for Application relates positively to higher reliance on superiors, lower reliance on specialists, as well as a lower emphasis on mutual attraction, education and intelligence. It is also related to a lower tolerance for divorce. Kets de Vries (1996) found that family-firm founders exhibit mistrust and stronger requirements for control. Founders are less likely to delegate power, and family firms tend to be centralized and controlled by the founder's beliefs (Kets de Vries, 1996). Coffee and Scase (1985); Hall (1988); Tagiuri and Davis (1996); Poza et al., (1997) also find that decision-making is centered with the top family members in family-firms. Managerial influence may be based on kinship rather than expertise (Greenhalgh, 1994; Brice and Richardson, 2009).

Family firm members have been found to score relatively high on Reward for Application in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2b: Mean Reward for Application scores for family-firm members will be positively related to one or more performance measures.*

Leung and Bond's (2004) research finds that Fate Control relates positively to lower work ethics, lower endorsement of team-oriented and charismatic leadership, and lower satisfaction of life and towards one's company. These findings are consistent with the idea that people high in fate control respond passively to events that occur to them. Ward (1988) finds that family businesses inspire greater employee loyalty than non-family firms. Family organizations give employees higher pay (Donckels and Frohlich, 1991). Moscatello (1990) says that family firms bring out the best in their employees. Family firm employees have more flexibility in working arrangements according to Coffee and Scase (1985). Human resource management in family organizations is less expensive and more effective (Levering and Moskowitz, 1993). Adams et al., (1996) find that a family firm's leadership is more likely to use a role modeling type of leadership. Lyman (1991) states that family-firm leaders are more likely to exemplify integrity and commitment to relationships (Brice and Richardson, 2009).

Family firm members have been found to score relatively low on Fate Control in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2c: Mean Fate Control scores for family-firm members will be negatively related to one or more performance measures.*

Leung and Bond's (2004) research finds that Social Flexibility relates positively with a belief in the lack of rigid rules, the existence of multiple solutions to a problem and inconsistency in human behavior. Family firm members are more adaptable than non-family firms in changeable conditions (Benedict, 1968; Greenhalgh, 1989; Ram and Holiday, 1993). Family firms are more flexible in reducing consumption during economic downturns and expanding working hours during economic upturns (Blim, 1990; Song, 1999). Family firms

have greater flexibility than non-family firms in using a short-term planning horizon in uncertain environments and very long time horizons in stable environments (Bruun, 1993; Perez-Lizaur, 1997; Whyte, 1996; Brice and Richardson, 2009).

Family firm members have been found to score relatively high on Social Flexibility in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2d: Mean Social Flexibility scores for family-firm members will be positively related to one or more performance measures.*

Leung and Bond's (2004) research finds that Social Cynicism relates positively to lower life satisfaction, lower satisfaction toward one's company, a faster pace of life (possibly related to a business-like transactional approach to life), a rejection of value-based leadership, and more disagreement with the in-group. On the other hand, Dyer (1986); Tagiuri and Davis (1992); Fukuyama (1995) find that family goals and values are the factors driving family business behavior. Family firms generally have family-oriented workplaces which inspire stronger than usual loyalty (Ward, 1988). Family relationships generate higher than usual motivation, loyalty, and trust (Tagiuri and Davis, 1996). Family values and personal relationships take precedence over the usual values found in corporations; and family firm members exhibit high integrity and relationship commitment (Lyman, 1991; Brice and Richardson, 2009).

Family firm members have been found to score relatively low on Social Cynicism in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2e: Mean Social Cynicism scores for family-firm members will be negatively related to one or more performance measures.*

Members of families that own and work in their own businesses may be seen to be relatively higher in class than those employed for others. Hofstede (1991) has identified that his Power Distance measurement will be lower in groups with higher education, class, and occupational status. Family firm members adapt and coordinate well when conditions change because of their tacit knowledge of each other and of the firm (Benedict, 1968; Greenhalgh, 1989; Ram & Holiday, 1993). Family firms have flexible work arrangements (Coffee & Scase, 1985). Family firm members communicate with greater efficiency and privacy and have higher motivation and trust (Tagiuri & Davis, 1996). Moscatello (1990) finds that ownership concentration in family firms' results in a strong mission, explicit long-term objectives, stronger management self-understanding, and market flexibility. Family-member participation in the business results in greater creativity (Pervin, 1997). Family firm members have been found to score relatively low on Power Distance in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2f: Mean Power Distance scores for family-firm members will be negatively related to one or more performance measures.*

Hofstede's definition of the Masculinity/Femininity dimension (Hofstede, 2001) states that groups scoring low on Masculinity (that is, high in Femininity) would be more tender with a greater concern with quality of life and other welfare issues. Stewart (2003) states that leaders of kinship-based firms may need to display conspicuous generosity towards family.



Schulze et al. (2001) also say that altruistic values influence family businesses and that family altruism makes family-business membership valuable in ways that is not usually found in membership with other kinds of firms. Thus it may be expected that members of family-firms will be more concerned with welfare and quality of life issues than would non-family professionals (Brice and Richardson, 2009).

Family firm members have been found to score relatively low on Masculinity in comparison with non-family firm managers (Brice and Richardson, 2009).

*H2g: Mean Masculinity scores for family-firm members will be negatively related to one or more performance measures.*

## **Methods**

### ***Measures of Family Firm Culture***

The literature identifies a wide range of culture-based behaviors which may differ between family and nonfamily firms and which may be a source of competitive advantage. One way to look at this is through the lens of cultural constructs that measure values and beliefs using quantitative metrics. Denison et al. (2004) used a survey to link family-firm culture and performance. Zahra et al. (2004) also compared family and non-family firms, finding a relationship between four dimensions of organizational culture and entrepreneurship.

Leung, Bond et al (2002) developed five measurements of beliefs (social axioms) which can be used at the personal level (Bond *et al.*, 2004) as well as to differentiate both national culture and sub-national groupings. They labeled their axioms spirituality, reward for application, fate control, social flexibility, and social cynicism. Spirituality concerns belief in the supernatural or religious aspects of existence. Reward for Application is the degree of belief that effort and persistence will have an equivalent pay off. Fate Control concerns a belief in the controllability of events which may be both predetermined and predictable. Social Flexibility reflects the contradictory aspect of social behavior. Behavior depends on the situation. Social Cynicism concerns a belief that manipulation is an effective means of success. It includes a negative view of people and groups and a mistrust of social institutions.

Geert Hofstede (1980, 1991, and 2001) has shown that his instrument items for Power Distance and Masculinity-Femininity are suitable to measure culture in occupations as well as at the national level. Power Distance is the "extent to which the less powerful members of institutions and organizations within a society expect and accept that power is distributed unequally" (Hofstede, 2001) and is related to the degree people prefer autocratic leadership. Hofstede states that social classes, which are closely linked with occupation, carry different class cultures (Hofstede, 1991). His Power Distance measurements varied significantly by occupation, both across national cultures and within national cultures with the lowest status occupations and education measuring highest on Power Distance. Occupational differences were largest in countries with the lowest Power Distance scores (Hofstede, 1991). Masculinity vs. Femininity concerns the issue that mankind is divided between male and female. "Masculinity stands for a society in which social gender roles are clearly distinct: Men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Femininity stands for a society in which social gender roles overlap: Both men and women are supposed to be modest, tender, and concerned with the quality of life" (Hofstede, 2001).

In this study, we view family businesses as a subgroup with hypothesized cultural attributes distinct from non-family businesses. That is, we treat family business members as a subgroup distinct from hired managers of non-family firms. Most cross-cultural research has used values to explain differences in culture even though they have not been shown to always explain cultural differences in behavior (Gelfand *et al.*, 2006). Gelfand *et al.*, (2007) advocate moving beyond values to include other constructs such as beliefs. Bond *et al.* (2004), conducted a study which contained both belief-based and value-based items in the same instrument, found that the belief items added greater behavior-predictive power than that of the value items. They assert that the two groups of constructs are complementary when used together. Thus, in this study, we use both value and belief measures.

A previous empirical study found differences on specific value and belief culture constructs between family and nonfamily firms within two nations and uncovered cross-national commonalities in family business culture (Brice and Richardson, 2009). This study analyses the linkage between these same value and belief constructs with aspects of family firm performance.

### ***Measures of Firm Performance***

Because small business respondents are generally reluctant to give actual revenue figures and often don't know what their performance data actually is, performance was measured using indirect methods. Using items from Tippins and Sohi (2003) respondents indicate their performance relative to competitors on a five-point Likert scale (from much worse than to much better than) on four performance variables: customer retention, sales growth, profitability, return on investment, as well as (smaller to larger) market share, and (much smaller to much larger) firm size. It is not expected that a culture-performance relationship must exist for all scales simultaneously. Different firm management will have different performance goals and a relationship between a culture construct and any one performance measure will serve to illustrate the thesis of this study.

### ***Sample and Instrument***

To ensure a broad universality of cross-cultural results, the national cultures chosen are diverse in terms of both cultural distances from each other as well as in economic development. A sample of small family-owned firms (of less than 100 employees each) was surveyed from an emerging economy (Ukraine); and from a highly-developed economy (U.S.). Family ownership status was self-reported and, to be included in this study, firms were 100 percent family-owned. Only family members who actively participated in their firms were surveyed.

The Ukraine survey was administered in the eastern city of Lugansk (in a region considered overwhelmingly ethnic Russian) by a professional Ukrainian business center that randomly selected family firms from a database of city businesses. 97 family-firm surveys were returned with response rates of 60 percent. The U.S. sample was collected in the Little Rock, Arkansas area from ethnically homogenous respondents (European-American family-firm members) chosen from a family business center membership list. 52 family-firm surveys were returned with a response rate of 41 percent. Instrument items were in English for the U.S. sample and for Ukraine the instrument was both translated to Russian and then back-translated to English to ensure accuracy per (Brislin, 1970).

Leung and Bond's five measurements of social axioms (Leung *et al.*, 2002) and Hofstede's instrument items for Power Distance and Masculinity-Femininity (Hofstede, 1980

and 1991) were used to measure cultural attributes. Culture items were scored according to a 5-point Likert scale. Performance was measured using items from Tippins and Sohi (2003) which indicates performance relative to competitors. All performance measures are scored on five-point Likert scales.

## Results

Standard multiple regression analyses were performed between each dependent variable (Customer Retention, Sales Growth, Profitability, Return on Investment, Market Share, and Firm Size) and the independent variables (Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity). Regression analyses revealed that the percent of variance explained in the dependent variables ranged from 4.8% to 27.7% using all seven independent variables (Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity) as predictors. Market Share and Firm Size were not shown to be explained well by the model due to their low R Squared values.

When Customer Retention was regressed on the independent variables, Spirituality ( $\beta = .202$ ,  $p = .031$ ) and Masculinity ( $\beta = -.194$ ,  $p = .062$ ) were significant. When Sales Growth was regressed on the independent variables, only Spirituality ( $\beta=.203$ ,  $p=.036$ ) was significant. When Profitability was regressed on the independent variables, Fate Control ( $\beta=.184$ ,  $p=.066$ ) and Masculinity ( $\beta=-.234$ ,  $p=.035$ ) were significant.

When Return on Investment was regressed on the independent variables, Spirituality ( $\beta=.221$ ,  $p=.016$ ), Social Flexibility ( $\beta=.301$ ,  $p=.001$ ), Social Cynicism ( $\beta=-.237$ ,  $p=.012$ ), and Masculinity ( $\beta=-.332$ ,  $p=.001$ ) were all significant. When Market Share was regressed on the independent variables, there were no predictors that were significant. When Firm Size was regressed on the independent variables, Social Flexibility ( $\beta=.188$ ,  $p=.071$ ) and Social Cynicism ( $\beta=.208$ ,  $p=.054$ ) were significant.

Thus, Spirituality and Masculinity appear to be the most frequent explanatory variables for the relationships with the dependent variables. The VIF values ranged from 1.333 to 1.902, which is within the acceptable range, showing that there are no multicollinearity problems with the independent variables (See tables 1-6).

Table 1. Customer Retention Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.202*	-.059	-.129	-.134	-.125	-.065	-.194†
Significance	.031	.501	.172	.158	.201	.532	.062
VIF	1.514	1.333	1.551	1.568	1.680	1.878	1.881

R Squared = .218      \* $p < .05$       † $p < .10$



Table 2. Sales Growth Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.203*	-.073	.134	-.137	-.090	-.043	-.257
Significance	.036	.417	.169	.162	.374	.687	.017
VIF	1.514	1.333	1.551	1.568	1.680	1.878	1.881

R Squared = .164 \*p<.05

Table 3. Profitability Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.131	-.085	.184†	-.084	-.161	.009	-.234*
Significance	.184	.359	.066	.403	.122	.931	.035
VIF	1.514	1.333	1.551	1.568	1.680	1.878	1.881

R Squared = .119 \*p<.05 †p<.10

Table 4. Return on Investment Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.221*	-.060	-.025	.301**	-.237*	.089	-.332**
Significance	.016	.483	.782	.001	.012	.380	.001
VIF	1.509	1.354	1.461	1.588	1.607	1.865	1.902

R Squared = .277 \*\*p<.01 \*p<.05

Table 5. Market Share Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.062	-.081	-.170	.048	-.113	.030	.017
Significance	.549	.404	.100	.647	.294	.790	.882
VIF	1.520	1.350	1.517	1.562	1.668	1.873	1.863

R Squared = .048

Table 6. Firm Size Regressed on Spirituality, Reward for Application, Fate Control, Social Flexibility, Social Cynicism, Power Distance, and Masculinity

	Spirituality	Reward for Application	Fate Control	Social Flexibility	Social Cynicism	Power Distance	Masculinity
Beta	.018	-.046	-.105	.188†	-.208†	.081	.025
Significance	.861	.633	.304	.071	.054	.474	.826
VIF	1.520	1.350	1.517	1.562	1.668	1.873	1.863

R Squared = .063      †p<.10

Pearson Correlation Coefficients were calculated for culture items, both individually and for aggregated averages for each culture construct, against each performance item. The normality of the response distribution was evaluated with stem and leaf, box and normal plots.

Table 7. Descriptive Statistics

	<i>N</i>	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Std. Deviation</i>
<b>Ukraine</b>					
S SCORE	97	2.00000	3.83333	3.08849	0.42061
RA SCORE	97	3.22222	4.44444	3.87743	0.23921
FC SCORE	97	1.33333	4.33333	2.90378	0.61981
SF SCORE	96	2.00000	4.33333	3.61285	0.43896
SC SCORE	96	2.18182	4.63636	3.34091	0.39943
PDI SCORE	97	1.75000	4.25000	3.43814	0.50134
MAS SCORE	97	2.50000	4.50000	3.72165	0.40645
<b>Ukraine Performance</b>					
CUSTOMER					
RETENTION	96	2.000	5.000	3.31250	0.82478
SALES GROWTH	96	1.000	5.000	2.86458	0.81589
PROFITABILITY	96	1.000	5.000	2.94792	0.87503
ROI	91	1.000	4.000	2.26374	0.89238
MARKET SHARE	96	1.000	4.000	2.36458	0.78297
FIRM SIZE	96	1.000	4.000	2.17708	0.91760
<b>USA</b>					
S SCORE	52	2.16667	4.08333	3.29006	0.43832
RA SCORE	52	2.88889	4.77778	4.03632	0.36932
FC SCORE	52	1.00000	4.33333	2.43590	0.76849
SF SCORE	51	2.33333	4.16667	3.54575	0.35758
SC SCORE	51	1.09091	4.27273	2.78431	0.57696
PDI SCORE	50	1.50000	4.00000	2.68000	0.49497
MAS SCORE	52	1.50000	3.50000	2.57692	0.39463
<b>USA Performance</b>					

	<i>N</i>	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Std. Deviation</i>
CUSTOMER					
RETENTION	50	2.00000	5.00000	4.08000	0.72393
SALES GROWTH	50	2.00000	5.00000	3.50000	0.90914
PROFITABILITY	50	1.00000	5.00000	3.42000	0.97080
ROI	50	1.00000	5.00000	3.30000	0.93131
MARKET SHARE	49	1.00000	5.00000	2.46939	1.11993
FIRM SIZE	49	1.00000	5.00000	2.20408	1.09886
<b>Ukraine / USA, Combined</b>					
S SCORE	149	2.00000	4.08333	3.15884	0.43618
RA SCORE	149	2.88889	4.77778	3.93289	0.29982
FC SCORE	149	1.00000	4.33333	2.74049	0.70906
SF SCORE	147	2.00000	4.33333	3.58957	0.41255
SC SCORE	147	1.09091	4.63636	3.14780	0.53711
PDI SCORE	147	1.50000	4.25000	3.18027	0.61431
MAS SCORE	149	1.50000	4.50000	3.32215	0.67864
<b>Ukraine / USA, Combined Performance</b>					
CUSTOMER					
RETENTION	146	2.000	5.000	3.57534	0.86969
SALES GROWTH	146	1.000	5.000	3.08219	0.89833
PROFITABILITY	146	1.000	5.000	3.10959	0.93309
ROI	141	1.000	5.000	2.63121	1.03103
MARKET SHARE	145	1.000	5.000	2.40000	0.90830
FIRM SIZE	145	1.000	5.000	2.18621	0.97885

Table 7 gives the relevant descriptive statistics and Table 8 shows the correlations between culture constructs and performance measures within each country as well as for both countries combined.

Table 8. Pearson Correlations

		CUSTOMER RETENTION	SALES GROWTH	PROFIT	ROI	MARKET SHARE	FIRM SIZE
Ukraine  N=97	S						-
	SCORE				0.37531		0.0788
	E	-0.08192	0.12380	0.08599	*	-0.13204	9
	RA						
	SCORE						0.0050
	E	-0.32220*	-0.15813	-0.18687	0.11498	-0.13057	3
	FC						-
	SCORE			0.20993			0.1180
	E	0.12599	0.20960*	*	-0.03611	-0.14508	4
	SF						
USA  N=52	SCORE				0.55306		0.1122
	E	-0.24464*	-0.07789	-0.04619	*	0.01939	3
	SC					-	-
	SCORE					0.22962	0.1543
	E	-0.20381*	-0.00885	-0.03332	0.17056	*	7
	PDI						
	SCORE				0.44013		0.1550
	E	-0.12346	-0.02720	0.07012	*	0.03168	8
	MAS						
	SCORE						0.1179
USA  N=52	E	-0.03813	-0.08186	-0.06282	0.23961	0.09595	0
	S						
	SCORE						0.1369
	E	0.19751	0.10369	0.05684	0.02107	0.09791	6
	RA						-
	SCORE						0.0093
	E	0.20635	0.01000	0.02411	0.01888	-0.01164	3
	FC						-
	SCORE						0.1122
	E	-0.28095*	0.17717	0.19605	0.05516	-0.12635	7
USA  N=52	SF						
	SCORE						0.0306
	E	0.14798	-0.07794	-0.09995	-0.00367	-0.13351	8
	SC						-
	SCORE						0.1465
	E	-0.06755	-0.00808	-0.11060	-0.08674	-0.06768	8
	PDI						-
	SCORE						0.0065
	E	-0.04078	-0.08853	-0.22190	-0.15322	0.00823	0
	MAS						-
SCORE						0.1431	
E	-0.12837	-0.06389	-0.13694	-0.14552	-0.16356	9	

	S						
Ukraine/US	SCOR				0.32468		0.0068
A Combined	E	0.09851	0.18018*	0.12358	*	-0.01981	2
	RA						
	SCOR				0.17973		0.0013
N=146	E	0.01981	0.01526	-0.01943	*	-0.05217	2
	FC						-
	SCOR						0.1141
	E	-0.14726	0.07195	0.11424	-0.13649	-0.14582	9
	SF						
	SCOR				0.32368		0.0849
	E	-0.15586	-0.08872	-0.07052	*	-0.03340	7
	SC			-	-		-
	SCOR			0.17844	0.19708		0.1360
	E	-0.32300*	0.17676*	*	*	-0.15318	4
	PDI						
	SCOR						0.0874
	E	-0.32130*	0.22991*	-0.15945	-0.10979	-0.00123	7
	MAS			-	-		
	SCOR			0.24530	0.33570		0.0018
	E	-0.37380*	0.31333*	*	*	-0.05075	0

\* Correlation is significant at the 0.05 level (2-tailed).

The combined performance correlation results (see table 9) shows the overall relationships between culture constructs, performance results and predicted relationships. Overall, results show a significant relationship between most of the surveyed culture constructs and a majority of performance measures.



Table 9. Combined Performance Correlation Results

	Predicted Relationship	Customer Retention	Sales Growth	Profitability	Return on Investment	Market Share	Firm Size
Spirituality Average	(+)		Significant (+)		Significant (+)		
Reward for Application Average	(+)				Significant (+)		
Fate Control Average	(-)						
Social Flexibility Average	(+)				Significant (+)		
Social Cynicism Average	(-)	Significant (-)	Significant (-)	Significant (-)	Significant (-)		
PD Average	(-)	Significant (-)	Significant (-)				
MAS Average	(-)	Significant (-)	Significant (-)	Significant (-)	Significant (-)		

Significant = Correlation is significant at the 0.05 level (2-tailed). (-) = negatively correlated (+) = positively correlated

### H1 Findings

H1 proposed that culture construct mean scores collected from samples of small to medium-sized family business members will correlate significantly with one or more of six self-assessed performance measures. The results show considerable support for H1. There was significant correlation between Customer Retention and the average item scores for Social Cynicism, Power Distance and Masculinity. Sales Growth correlated significantly with Spirituality, Social Cynicism, Power Distance and Masculinity. Profitability correlated significantly with Social Cynicism and Masculinity. Return on Investment correlated significantly with Spirituality, Reward for Application, Social Flexibility, Social Cynicism and Masculinity. Market Share and Firm Size did not correlate significantly with any culture measure and none of the performance measures correlated significantly with Fate Control.

### H2 Findings

The second set of hypothesis addresses the specific relationships we expect to find between culture measures and performance indicators.

H2a was supported as Mean *Spirituality* scores for family-firm members were positively related to Sales Growth and Return on Investment.

H2b was supported as Mean *Reward for Application* scores for family-firm members were positively related to return on Investment.

H2c was not supported as Mean *Fate Control* scores for family-firm members did not significantly relate to any performance measure.

H2d was supported as Mean *Social Flexibility* scores for family-firm members were positively related to return on Investment.

H2e was strongly supported as Mean *Social Cynicism* scores for family-firm members were negatively related to Customer Retention, Sales Growth, Profitability and Return on Investment.

H2f was supported as Mean *Power Distance* scores for family-firm members were negatively related to Customer Retention and Sales Growth.

H2g was strongly supported as Mean *Masculinity* scores for family-firm members were negatively related to Customer Retention, Sales Growth, Profitability and Return on Investment.

## Discussions and Conclusions

This study empirically researched value and belief cultural characteristics in family firms across different countries and found correlations between specific family-firm culture characteristics and firm performance. There has been some, but not much, in the way of empirical quantitative data to delineate exactly what the cultural values or beliefs might lead to family-firm competitive advantage. The literature already connects family-firms to different goal-sets leading to different strategies. This study's results allow us to connect specific differences in family-firm cultural values and beliefs to actual firm performance.

It should be expected that values and beliefs that bring family-firms competitive advantage would be found in more than one nation, thus this study combines data from two countries that are culturally distant and in different stages of national development. Results suggest that those family-firm cultural value and belief attributes identified in this study as correlating with positive firm performance may be potentially universal in terms of offering competitive advantage.

Social Cynicism and Masculinity constructs had the largest impact on performance in that they both significantly and negatively correlated with four of the six performance measures. Thus firms low in Social Cynicism and Masculinity had higher performance. Social Cynicism measures the belief that manipulation is effective and encompasses a negative view of people, groups and institutions. We can conclude that for family businesses, altruistic feelings towards people may be part of any culture-based comparative advantage. Low levels of Masculine values, being the same as a high level of Feminine values, relate to a concern for people's welfare and quality of life as well as values of gender equality. This also can be considered to be a cultural success factor for firms. Previous research showed family firms lower than non-family firms on Masculinity (Brice and Richardson, 2009). Thus greater levels of Feminine values may be a universal attribute of family-firm culture-based competitive advantage.

Strong levels of Spirituality and low levels of Power Distance were each found to impact on two of the six performance measures. Spirituality concerns a belief in the supernatural aspect of existence and may relate to higher levels of ethics. Low levels of Power Distance relates to organizations that have greater equality between members, greater tolerance for non-conformity, and a greater degree of consultative leadership. This may relate to greater degrees of employee empowerment and creativity. Previous research has shown that family-firms in these two countries have significantly higher Spirituality and lower Power Distance than professional managers in both Ukraine and the U.S. (Brice and Richardson, 2009) thus increasing the evidence that these specific culture attributes may be part of a family-firm culture-based competitive advantage.

Reward for Application and Social Flexibility both correlated positively with one of the six performance measures. Reward for Application concerns the belief that effort and

persistence will have an equivalent return, thus those who score high in this measure may work all the harder. Social Flexibility concerns the contradictory nature of social behavior and organizations which score high on this may be less regimented in outlook and exhibit a greater degree of tolerance. Previous research found that both Ukraine and the U.S. measure high on Social Flexibility, with family firms scoring significantly higher than professional managers in both countries (Brice and Richardson, 2009). Family-firms may have superior flexibility and survivability over non-family firms. Thus, greater Social Flexibility may be another specific source of family-firm culture-based competitive advantage.

### Implications for Research

These results not only help us describe family-firm culture, they may illuminate cultural success factors that non-family business may incorporate. While different culture values and beliefs may relate to different national environments in different ways, the specific culture attributes found here to relate to successful performance are universal to the two countries studied. It would be most helpful to greater understanding of what is or isn't universal if these results could be replicated in more countries.

Ukraine, family business and firm culture are all understudied. This study's results may have implications for marketing, cross-cultural human resource management and organizational behavior. This study shows that the basic values and beliefs of family-firms can be quantitatively measured and correlated to firm performance. Combined with other studies, these results show the distinctiveness of family-firms in goal-setting, strategy, and competitive advantage. This is especially important as most business in the world is family-business. Because family-firms in general, although with specific exceptions (Dyer, 2006), seem to have some advantage in surviving and prospering, further study of family business culture across more countries will deepen our understanding of what values, beliefs, behavior, goals and strategy, may lead to competitive advantage.

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