

6-13-2015

THE EFFECTS OF PROFESSIONAL CORPORATE ENTREPRENEURSHIP PRACTICES ON LISTED AND NON- LISTED FAMILY FIRMS IN DEVELOPING ECONOMICS (SUMMARY)

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Recommended Citation

Suhartanto, Eko; Monsen, Erik; and MacKenzie, Niall (2015) "THE EFFECTS OF PROFESSIONAL CORPORATE ENTREPRENEURSHIP PRACTICES ON LISTED AND NON- LISTED FAMILY FIRMS IN DEVELOPING ECONOMICS (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 35 : Iss. 13 , Article 18.

Available at: <http://digitalknowledge.babson.edu/fer/vol35/iss13/18>

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≈ SUMMARY ≈

**THE EFFECTS OF PROFESSIONAL CORPORATE
ENTREPRENEURSHIP PRACTICES ON LISTED AND NON-
LISTED FAMILY FIRMS IN DEVELOPING ECONOMICS**

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Principal Topics

We investigate the mediating effect of entrepreneurship orientation (EO) as one explanation of the inconsistent relationship between professionalization and family firm performance (J. Dekker, Lybaert, Steijvers, & Depaire, 2013). We use employee engagement as a proxy for firm performance due to its consistent positive effect on firm performance (Harter, Schmidt, Agrawal, & Plowman, 2013). Furthermore, responding to Sharma, Chrisman, & Gersick's (2012) recent call, we test our model in the developing economy context. Finally, following Fang et al.'s (2012) arguments regarding the impact of institutional environment on professionalization effects, we compare the results for listed and non-listed family firms.

Methods

Our respondents are 189 employees of Indonesian listed (50) and non-listed family firms. Employee perception on firm professionalization, as independent variable, is measured by adopting three factors proposed and used by Dekker et al. (2012, 2013), i.e. decentralization of authority, financial and human resource control systems. To measure our mediating variables, we adapt the nine items developed by Covin & Slevin (1989) to measure employee perception on firm EO, i.e. innovativeness, risk-taking, and pro-activeness. Finally, we use 12 items from the Gallup Workplace Audit (Buckingham & Coffman, 1999) to measure Employee Engagement (EE) as dependent variable.

Results and Implications

Our findings indicate that professionalization has a greater impact in less formal institutional environments, such as non-listed firms. In addition, different aspects of professionalization have different effects. While human resource control has positive direct and indirect impact on EE in both listed and non-listed family firm, financial control only directly affects EE in non-listed family firm. This finding support Fang et al.'s (2012) argument that family firm's professionalization in less formal institutional environments results in more proactive strategic and long-term goals, rather than reactively conforming to the prevalent institutional norms (Oliver, 1991). In this way, professionalization might provide unique resources that are not easy to imitated and substituted by competitors (Barney, 2001).

Secondly, considering that all EO constructs partially mediate human resource control – EE relationship, we argue that the degree of organizational EO might determine the impact of professionalization on firm performance.

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