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THE COMBINATION IMPACTS OF PROFESSIONALIZATION AND ENTREPRENEURIAL ORIENTATION ON EMPLOYEE ENGAGEMENT IN FAMILY AND NON-FAMILY FIRM (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

THE COMBINATION IMPACTS OF PROFESSIONALIZATION AND ENTREPRENEURIAL ORIENTATION ON EMPLOYEE ENGAGEMENT IN FAMILY AND NON-FAMILY FIRM

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Principal Topics

Responding to the debate about the advantages and disadvantage of family firm professionalization (Songini, 2006), we apply agency and stewardship theory to examine how the control system factors of professionalization (PRO) affect employee engagement (EE) in family and non-family firms. Further, we test the moderating effects of entrepreneurial orientation (EO) on that relationship (model 1) considering that firm EO factors encourage EE antecedents, such as challenging task, trust, excitement (Haar & White, 2013), and role clarity (Monsen & Boss, 2009). In addition, we also examine 3 other moderating models, i.e.: employee rank (RANK) on PRO-EE relationship (model 2), PRO on EO-EE (model 3), RANK on EO-EE (model 4); and 2 mediating models, i.e.: EO on PRO-EE (model 5) and PRO on EO-EE (model 6).

Methods

Using the individual as unit of analysis, our respondents are 545 employees of Indonesian family (272) and non-family firms (273). We use median-split to group the high vs. low EO, high vs. low professionalized firm, and high vs. low employee rank. We adopted Dekker et al.'s (2012, 2013) scale to measure employee perception on firm professionalization factors, i.e. authority decentralization (AD), financial (FI) and human resource control systems (HR); Covin & Slevin's (1989) scale to measure employee perception on firm EO, i.e. innovativeness, pro-activeness, and risk-taking; and Gallup Workplace Audit (Buckingham & Coffman, 1999) scale to measure EE. With AMOS 22, CFA and multi group measurement residual of SEM was used to test the measurement and structural model fit consecutively.

Results and Implications

The findings from our primary model 1 support prior findings (Saks, 2006) and indicate the PRO generally promotes EE. Especially, HR is most influential on EE. However, there are several important contingencies. In family firms, HR appears to suppress opportunistic behaviour and adverse selection (Schulze, Lubatkin, & Dino, 2002). However, AD does not help increase EE in family firms (Sorenson, 1999). Surprisingly, FI has positive relationship with EE in family firms, especially when firm EO is high (Eddleston, Kellermanns, & Zellweger, 2012). Further, models 2 to 6 provide insights into additional moderating and mediating effects of EO professionalization, and the additional moderating effects of family business status and employee rank. In summary, managers need to consider these structural and strategic contingencies to successfully implement EO and PRO strategies.

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