

The Impact of Institutionalization of Family Business on Strategic Human Resources Management and Company Performance

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Abstract

In business management, when an important part of the ownership, the strategic or routine decision making bodies, and the hierarchical structure consists of family members, there is a family business at stake. Regarding family businesses, ensuring sustainable growth and intergenerational transition constitutes a significant problem. Family businesses have difficulties in meeting the requirements of changing conditions due to the acceleration of environmental changes and increase in complexity of management activities. In this context, the aim of the study is to explain the institutionalization in family businesses and the principles of corporate governance; to reveal the impact of institutionalization of family business on human resources management and company performance beside the human resources management and the evaluation of company performance in family businesses. The research has been conducted in 2016, limited to 200 workers of family businesses which operate in several provinces of Turkey particularly in İstanbul, Ankara, İzmir, and was selected randomly. In conducted survey study, 74 questions were asked about institutionalization, human resources practices, company performance and employee performance. In the results of research, it is seen that the emphasis placed on the institutionalization of family businesses and the existence of human resources practices have a positive impact on company performance and employee performance.

Key words: Family Business, Institutionalization, Human Resource, Management, Performance



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INTRODUCTION

Family businesses are profit-oriented social structures mainly generated by relatives by blood or marriage in order to produce products or services. The three systems, namely family, business and property, are in constant interaction. It is vital that family businesses are maintained considering their significance within the economic structure. Founding person element, patriarchal model, inability to share the business, inability to separate family notion from business and several other reasons shorten the life span of family businesses. In this study we are trying to reveal the impact of institutionalization of family businesses on human resources management and company performance.

The Concept of Family Business

A family business is an enterprise which is formed in order to provide for the family or to prevent the inheritance from leaving the family, managed by the individual producing the economic value, in which the management levels consist mainly of family members, where the decisions are prominently made by family members and where at least two generations of the family are employed (Aslan and Çınar, 2010: 91). Providing that two or more members of the same family work at the same company and one or more of these members hold the majority of the company shares, this structure is considered as a family business (Yıldırım, 2011: 186).

Main Problems of Family Businesses and the Institutionalization Process

Within the main problems of family businesses; inability of institutionalization, inability to get along with professionals, training the second generation, granting authority, inability of describing distribution of work, inability to settle regulations and other rules are regarded as the primary ones. Secondary issues can be counted as reflecting family matters into business, inability to overcome old habits, inability to

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follow new technology simultaneously, considering professionals as incompetent and looking down on them, employing ineligible family members or relatives, budgeting, vision, inability to apply management functions such as strategic planning, inadequate education, business meetings becoming family chat (Fındıkçı, 2005: 59). The reluctance of the executives of the family business in determining the future executives puts the existence of the company in danger in the long run (Sorgun, 2007: 33). The focus of an organization is to form the organizational structure and to distribute tasks according to mutual goals. However since there is an authoritarian structure in family businesses it is not possible to distribute tasks, authority and responsibility (Yakupoğulları, 2001: 31). Primary issues in family businesses are; not giving equal education opportunities to non-family member employees compared with family members, the lack of adequate financial and non-financial payments and awards, not training leaders to work at the company (Koyuncu 2015: 14). Family businesses utilize a non-official control system in their supervision processes. During this non-official supervision process predictions come before being professional. Throughout such inspections it is highly probable that false determinations will be made. Due to over-faith in relatives in family businesses, supervision awareness may fail to develop (Doğan, 2014: 51).

Institutionalization represents a dynamic, lively and vigorous process. Accordingly, the constantly changing exterior conjunctures have to be pursued nonstop so that the company aims, corporate structure, employee characteristics, technology and business method and models comply with this constant change (Çiftçi, 2006: 31). In order to sustain the institutionalization of the organization, the mission, vision and fundamental values of the company have to be adopted by each employee (Yaşa, 2006: 43). Institutionalization is a process requiring commitment, faith and openness to innovation (Özuysal, 2006: 77). The primary step of institutionalization of family businesses is family relationships. The most important element of institutionalization of family relationships is related with the position and status of family members within the business. The percentage of shares the executive family members hold, the person/people responsible for and authorised to make fundamental decisions, that the distribution of tasks is clear and adequate, income amount of the actively working family members, having rules regarding the expenses of the spouses, children and household of the family members are all essential factors. The family counsel is a unit that does not influence the company and the overall situation of the family much. It is a non-binding structure primarily contributing to strengthening the family relationships (Fındıkçı, 2014:198-201). Sorgun (2007) guided companies in need of institutionalization by clarifying the reasons that constitute the sources of the major management problems that arise in a family company in his thesis "Management Problems in Family Businesses: A Research in Adana". Organization and formal structure is one of the processes of institutionalization that involves the methods of a company to reach its aims. This structure indicates specifying, classifying the tasks, selecting employees and accurate employee recruitment, determining authority and responsibilities, stating place, means and methods of work. A family business with a good management with efficient organization prefers granting authority instead of attempting to possess all power (Kiran, 2007: 68). Authoritarian management in family businesses cause disadvantage due to decision making by the founder(s). Family businesses should employ non-family professionals in crucial positions (Taşkın, 2014: 42-44). In order to portray the importance of institutionalization, Fındıkçı (2011) deals with issues such as the most frequent problems family businesses face in different stages, institutionalization and restructuring, training the second generation, family constitution in his book "Management and Institutionalization in Family Businesses".

Human Resources Management and Its Importance in Family Businesses

Human resources management is of substantial significance since it determines manpower; functionally the corporations most fundamental capital, and maximizes the current performance (Geylan, vd., 2013: 11). As for effective utilization of labour within the organization, commitment, identification, quality and flexibility of employees are required. Since employees who are committed to the organization, in other words to the company, have satisfaction in work life, work harmony is provided along with an increase in efficiency (Fındıkçı, 2011: 6). Human resources management is the reflection of changes in company

employees to company strategies. The foundation of strategic human resources management in family businesses is relating human resources policies and operations to the general strategies of the company (Eren, 2006: 132). Öztürk (2010) states in her thesis "Strategic Human Resources Management in Family Businesses and Its Impact on Company Performance" that applying human resources management practices and keeping the solidarity spirit alive have tremendous impact on the overall performance of the company, and that having precise work definitions and processes, stating its importance, sharing acquired knowledge and experiences with the whole company employees, enabling interdepartmental coordination and mutual vision boost the performance of the company, executives and all employees.

The major problem within strategic human resources management in family businesses is nepotism in selection and placement of employees. Nepotism stands for employing relatives in the company, promoting relatives, letting them benefit from some privileges and assigning them to different positions (Dökümbilek, 2010: 27).

By engaging education and training activities in an organization the aim is to have the newly recruited employees adopt the company values, mission, vision and goals. The existence of education programs supports success in attaining company goals and increases labor efficiency (Başar, 2016: 26). Kahveci (2012) states in her thesis "The Impact of Human Resources Management on Company Efficiency" that company efficiency can be increased by motivating the employees, considering them not as machines but human beings, satisfying their needs and integrating employees into the decision making processes. She emphasizes that companies will be more productive though utilizing an efficient human resources system providing employees career planning, education, promotion opportunities and that the human element is the distinguishing factor among companies.

Performance assessment is considered as analyzing and reporting the results acquired by the effort shown by the organization and the needed resources in order for a company to sustain its operations. Correct performance assessment assists executives in decision-making processes, planning operations, keeping the situation against competition under control, following technological changes carefully and determining customer demand and needs (Başar, 2016: 49). KanapGüngör (2013) reports in her thesis "An Overview of Human Resources Management in Information Age: A Research on Skill Management in Companies and Its Impact on Employee Performance" that as long as right skills are recruited in right positions, costs become investments. She presents that it is vital to establish trust towards the company in evaluating and interpreting employee success level through performance assessment and increasing employee performance. An employee believing that he/she is working in a company due to his/her personal-professional skills and education and experience can focus on the company with ease and in a company where skills are a fully utilized increase in employee performance can be provided.

Company Performance

Company Performance reveals the success of an organization in executing a task. The ones utilizing performance assessment can foresee at what level they contribute to company goals and aims (Canman, 2000: 137). Each company has certain goals to reach. These goals are usually attained and maintained by the work and efforts of the employees. There has to be an assessment of the performance to observe whether these efforts are enough to reach the desired goals (Başar, 2016: 45). Haznedar (2006) states in her thesis "The Impact of Human Resources Management Practices on Company Performance" that among human resources management practices, education and training, selecting qualified employees and performance assessment have the most significant effect on company performance.

Employee Performance

Organizations aiming to satisfy customers and to increase revenues have to know to make their employees happy. Fairness in all systems within the organization, respect to the ideas of employees, enhancing work conditions, social and cultural activities, open communication, a mindful management will make the employees happy and efficient. In organizations, people use their skills at their jobs and expect an environment where they can utilize their skills efficiently and their needs are satisfied. The stronger the organizational commitment the stronger the tendency to be guided by the desired standards

will be. The more the employees trust to the company the more their feeling of commitment and fulfilling the tasks will be. Factors such as employee contentedness, absentee rate, labor turnover rate, job satisfaction effect the efficiency and performance of a company. Satisfied employees are more efficient than unsatisfied employees and contribute more to the organizational performance (Öztürk, 2010: 56). Ahmed (2016) discusses in the study "The Impact of Training and Development on Employee Performance (Hormuud, Telecom, Somalia Example)" that with the condition that employees are given proper training, they perform much better, they believe that the company values their contributions and themselves which in return gives them high job satisfaction. When starting a new job, training helps employees to adapt to methods and equipment much faster which results in becoming more productive. As a result of this study training employees showed to increase employee performance and at the end the total performance of the company.

Employee Empowerment

Employee empowerment emerged from the need for innovations due to rapid increase of globalization and competition. In its broadest sense employee empowerment means to strengthen the faith of employees in themselves, giving decision making changes to all levels of the organization, and that the executives give more autonomy and authority to the subordinates (Çavuş, 2008). Employee empowerment is to gain the highest benefit from the human factor which is seen to be the most significant element to get advantage in competition in the modern business world. Applying employee empowerment concept encourages innovative work in the organization as well. Innovative work means presenting a new idea, product, service etc. So individuals can contribute more to the organization by openly expressing their new ideas (Acar, 2001: 146) In order to really get use of empowerment, the employee has to have full access to all information, reports and records regarding the company. There are no secrets or confidential information in companies where employee empowerment has been implemented successfully. Empowerment is a continuous process, not a one-time only procedure. During this process the organizational conditions are analysed at first. Organizational structure, tasks and task completing methods, communication methods, authority distribution within the organization, characteristics of the employees, manners and behaviours of executives, their leadership style are examined. In the second step more autonomy and opportunity to act independently are granted to the employees, the conditions are formed for them to have power on tasks and work processes. Lastly the results are observed and assessed. The performance of employees and the company are measured and compared to what they were. This is the way to confirm whether the approach has been successful (Can, Kavuncubaşı and Yıldırım, 2012: 67). In the study "An Examination about the Relationship between Employee Empowerment and Organizational Commitment" Koç (2008) interpreted the views of employees regarding employee empowerment. The employees expressed that as a result of empowerment they were encouraged by their managers to solve problems about the work, to think creatively and to express themselves freely, that they were appreciated by the extraordinary service they provided and that they were willing and motivated to convey their skills to their work.

METHODOLOGY

This part involves explanations about the research model, the establishment of research groups, utilized measurement methods and the process followed during data analysis.

The Research Model

The referential part of this study is designed in the scanning model. The scanning model aims to describe a situation either in the past or at present as it is. The situation, person or object defines the current condition as it exists. Since everything is conveyed as it is, there is no concern about any changes or influence (Karasar, 2009). The empirical part comes after the first part where dependent and independent variables of the study have been examined for reliability and validity through exploratory factor analysis, correlation analysis and regression analysis.

Purpose of the Research and Hypotheses

The purpose of the study is to reveal human resources management in family businesses and its impact on company performance. The hypotheses according to the mentioned purpose are shown below;

H_{1A} Strategic Human Resources Practices have a positive effect on employee performance.

H_{1B} Strategic Human Resources Practices have a positive effect on company performance.

H_{2A} The Institutionalization level has a positive effect on employee performance.

H_{2B} The Institutionalization level has a positive effect on company performance.

Research Method

This research is a relational scanning model in which the relations between two different situations are examined with regard to several variables. According to the main goal of the research, scanning model is preferred so that the current situation could be displayed, without making any alterations, as it is. As a quantitative research method the survey method has been applied. Required analyses have been rendered by transferring the survey form data to the SPSS 17.0 data analysis program.

Sample and Space of the Research

The sample of the research is 200 employees selected randomly from family businesses operating in various cities such as İstanbul, Adana and İzmir. The space of the research is employees working in family businesses operating in Turkey. It is assumed that the sample reflects the space adequately.

As seen in Table 5, when the demographic data of the 200 employees are working at the companies, where the survey was conducted, is examined, the age average is 33.6. The average of the total working period turns out to be 8.8 years; the average of working in their current company is 5.8 years. These figures show that the employees spent most of their work life at their current company.

Table 5. Demographic Properties

Education				Gender				OperationField			
		Frequency	Valid%			Freq.	Valid %	Regional	77	38,5	
Valid		1	,5	Valid	1,00	94	47,0	National	74	37,0	
	2	5	2,5			2,00	106	53,0	Inter-national	49	24,5
	3	28	14,0		Total	200	100,0	Total	200	100,0	
	4	137	68,5								
	5	26	13,0								
	6	3	1,5								
	Total	200	100,0								
Department				Industry				Operation Field			
		Frequency	Valid %			Freq.	Valid %				
Valid		3	1,5	Valid	1,00	36	18,0	Valid	1,00		
	1	4	2,0			3,00	8		4,0	3,00	
	2	26	13,0		4,00	27	13,5	4,00			
	3	47	23,5		5,00	32	16,0	5,00			
	4	42	21,0		6,00	5	2,5	6,00			
	5	78	39,0		7,00	1	,5	7,00			
Total	200	100,0		9,00	3	1,5	9,00				

68.5% of the employees are university graduates. From the 200 employees filling the survey 53% are men, 47% are women.

Validity and Reliability Analysis

In the experimental study, in order to assess whether the 74 questions used in the survey with the aid of SPSS package programme serve a purpose, a reliability analysis has been applied. At the reliability analysis the Cronbach’s Alpha level has to be above 0.700 (Cronbach, 1961). Table 6 shows the reliability analysis of the study.

Table 6. Reliability Analysis

		N of variables	%
Cases	Valid	178	89,0
	Excluded	22	11,0
	Total	200	100,0
Cronbach's Alpha		,966	N of variables: 74

In this study the reliability rate is measured 0.966 which is a lot higher than the minimum limit 0.700. With this result it is safe to say the survey is reliable. It is extremely important for the continuance of the research that a survey with so many questions has such a high rate of reliability. The Cronbach’s Alpha value of the 74 questions that compose the survey is identified as 0.966. This analysis shows that in the very basic the questions of the survey are comprehended by everyone the same and that they answered them all similarly. The minimum value of this analysis should be 0.700. As a conclusion of the analysis, it is possible to say that the survey has been perceived as a whole and that it serves only one purpose. Yet, since it is not sufficient only to depend on the reliability analysis, a factor analysis has been conducted in order to identify the groups constituted by the questions.

Factor Analysis

Factor analysis shows that no variable is excluded, the scales are valid and that all the scales of the research model are interrelated. Furthermore, considering the company performance scale as one dimension helps to identify the relationship between the dependent and independent variables more clearly for the correlation and regression analyses that are used in the next step of the research. Since one dependent variable is an expected situation, this progress is expected as well.

Table 7. KMO and Bartlett Tests

KMO Variables	KMO
Family Businesses	,884
Institutionalization	,926
Human Resources Practices	,931
Company Performance	,580

Table 8. Factor Analysis Table

Variables Table	Component		
	1	2	3
The operation to institutionalize the company is conducted.	,621		
Employees are recruited according to desired goals.	,738		
Company has an organization chart.	,729		
Company has a workflow diagram.	,711		
It is certain to whom the work is going to be done.	,800		
It is certain when the work is going to be done.	,832		
It is certain how the work is going to be done.	,771		
The departments to be reported are certain.	,775		
Interdepartmental dataflow forms are written.	,778		
Every employees work definition is certain.	,770		
Company has an organization handbook.	,593		
Family members have more privileges and authority			
Work is completed according to the organization chart.	,716		
There is the sense of "us" within the company.	,654		
Every employee knows the goal, mission and vision of the company clearly.	,722		
Crucial positions for company success are employed by family members.			,691
Ultimate decisions are made by company owner.			,727
Company has a family constitution.			,612
The successor of the company is identified beforehand.			
Personal problems of family member employees reflect to work.			
Non-employee spouses of family member employees interfere with company business.			
Payment and promotions are according to performance.	,581		
Family members work in another company before working in the family business		,685	
Consultancy services are utilized in order to manage the company well.			
Company has family counsel		,646	
Family members work at the company according to certain criteria		,758	
Family members make decisions unanimously.		,599	
Individuals are happy to work in a family business.		,514	
Family members and non-family members attend the trainings in the company together.	,535		
Emotions are important in decisions and executions.		,542	
Children are educated according the needs and future of the company.		,673	
Children get familiarised with the business and the work done in early ages.		,692	

Family and business matters are kept separated.			
Children who do not work at the company do not get company shares.		,645	
Family members are recruited at the company even if they don't have necessary skills.			
Family members start working at the company from low levels.		,586	
To what extent the goals are achieved is frequently discussed at meetings.	,604		
Performance assessment system including family members is present.			
Non-employee family members interfere with company business.			
Non-family member professional is employed in senior management.			
A family member and non-family members share their ideas with each other.	,518		
Family members try to resolve problems/conflict by talking face to face.			
Family members do not discuss problems, they leave it to time..		,515	
There is a strong communication among family members.			
Variables	Component		
	1	2	3
Official training activities are conducted in our company.		,838	
Our company has comprehensive training policies and programmes.		,851	
Our company has a training program for new recruited employees.		,837	
Our company has problem resolution development training.		,727	
Employees get a share from the profits of our company.			,771
Our company has a bonus system.			,844
There is a linkage between performance and reward in our company.			,767
The performance assessment system in our company is development oriented.			,623
The performance assessment system in our company is result oriented.	,545		,569
The performance assessment system in our company is behavior oriented.	,592		
In our company recruitment is done selectively.	,704		
Employee selection is made according to expertise and skills.	,815		
Employee selection is made according to the candidate's future potential.	,849		
Employees are allowed to make suggestions for work improvement.	,725		

Our company values the views of its employees.	,659		
Employees can join the decision making process in our company.	,709		
Variables	Component		
	1		
Your net profits are higher compared to your own capital.	,772		
Your pre-tax average profitability is high.	,853		
Net earnings from your fundamental operations are high.	,861		
The financial success of your newly introduced products is high.	,795		
Your general financial success level is high.	,848		
The annual average of sales is high.	,870		
A number of newly developed and introduced products is high.	,807		
The increase of a number of employees is high.	,787		
The increase of new customer numbers is high.	,817		
Your status in the competitive market has become stronger.	,841		
Your profitability level is high.	,838		
Variables	Component		
	1		
In our company satisfaction level of employees is high.	,926		
In our company absentee rate is low.	,638		
In our company motivation level of employees is high.	,941		

Firstly, if we view the institutionalization scale, the Kaiser-Meyer-Olkin (KMO) value is 0.884. The threshold value in this analysis is 0.600. Table 8 shows the Factor Analysis Table. The table shows that the institutionalization is clearly divided into three sub-factors. During this division, variables with a factor load below 0.500 are excluded from the analysis. In this structure institutionalization is fixed into three sub-factors. In the human resources practices analysis, without the need to exclude any questions, the scale is divided into three within itself: human resources practices question number nine is assigned to both factor one and three. In case of facing similar results in statistical analyses, the mentioned variable is assigned to the factor where it has the highest value. Hence, the assignment of the question to factor number three.

The factor distribution of company performance and employee performance, which are the dependent variables of the research, exhibit that company performance and employee performance both are on single scale. These questions and scales are perceived as a whole. There is no scientific ambiguity as the factor analyses are adequate to proceed to the next phase.

Correlation Analysis

“It reveals the direction and strength of the relationship of a variable with another variable. There is a positive relationship if the correlation coefficient is close to (direction) +1, there is a negative relationship

if it is close to -1, and the fact that it approaches 0 means that there is not a relationship between two variables. The fact that the correlation coefficient is between (force) 0 and 0.3 is an indicator of a low relationship, there is a moderate relationship if it is between 0.3 and 0.7, and there is a high relationship if it is between 0.7 and 1" (Saruhan and Yıldız, 2009, 339).

Table 9. Definitive Statistics

VARIABLES	MEAN	STD. DEV	Nr. OF SAMPLE
Employee Performance	4,6917	1,32869	200
Company Performance	4,8184	1,13021	200
Systematic Selection and Recruiting	4,7196	1,66422	200
Training	4,1350	1,63282	200
Performance Assessment and Reward	4,6148	1,32661	200
Formal Structure/ Organization	5,0200	1,15637	200
Institutionalization of Family Relationships	3,8509	1,20694	200
Becoming Professional and Central Decision Making System	4,8567	1,32599	200

When we examine the relationship between the two performance factors with the other sub-factors, we see that each sub-factor is related to both the company and employee performances. In other words, the priority given to human resources and institutionalization increases employee performance and company performance. The essential reason of this is that when the employees consider that they are valued, and when they work in an institutionalized structure their performance automatically increases also causing a boost in the company performance. The sub-factors of institutionalization and human resources practices were also examined along with the analysis however not interpreted as these were included in the research. The main goal of this thesis is to measure the effects of institutionalization and human resources practices on employee performance and company performance.

Table 10. Correlation Analysis

		1	2	3	4	5	6	7	8
Employee Performance(1)	Pearson correlation	1	,607**	,550**	,600**	,682**	,598**	,402**	,209**
Company Performance(2)	Pearson correlation	,607**	1	,464**	,521**	,599**	,529**	,463**	,203**
Training and Development (3)	Pearson correlation	,550**	,464**	1	,607**	,663**	,675**	,396**	,137
Performance Assessment and Reward (4)	Pearson correlation	,600**	,521**	,607**	1	,699**	,571**	,440**	,192**
Systematic Selection and Recruiting(5)	Pearson correlation	,682**	,599**	,663**	,699**	1	,671**	,448**	,133
Formal Structure/Organization (6)	Pearson correlation	,598**	,529**	,675**	,571**	,671**	1	,373**	,259**
Institutionalization of Family Relationships(7)	Pearson correlation	,402**	,463**	,396**	,440**	,448**	,373**	1	,395**
Becoming Professional and Central Decision Making System(8)	Pearson correlation	,209**	,203**	,137	,192**	,133	,259**	,395**	1

** . Correlation is significant at the 0.01 level (2-tailed).

When we examine the results of the correlation analysis table, even though there is no cause and effect relation detected, it is obvious that every variable in the model is somehow interrelated. In other words, every question of the survey has interacted both with its own sub-factors and also with every other scale. The explanation of this situation is that institutionalization and modern human resources practices influence the company performance intensely and that one change in an organization impacts the whole company. The change in the organization influences the sub-elements of the organization in different levels. For example; operational changes have an influence on junior executives while senior executives and the board of managers are impacted by strategic decisions. The fundamental characteristics of institutionalization are; conducting operations in order to institutionalize the company, which there are an organization chart and workflow diagram present, open communication among all departments. Other activities serving institutionalization are; comprehensive training programmes, orientation, a bonus, and performance system, applying professional recruitment techniques. The expected outcome of these operations are; increasing market share in the competitive business world, the annual increase in sales, increase in employee numbers, increased employee satisfaction level and decrease in absentee rate. When scanning resources about family business studies it is obvious that this kind of companies has serious institutionalization, organization or structuring issues.

Regression Analysis

Regression analysis is a process of developing a mathematical equation in order to distinguish a set of variables as dependent and independent variables and to explain the relationship between these variables. In other words, regression analysis means to develop a mathematical model in order to explain the relationship between a dependent variable and the independent variables which are presumed to affect the dependent variable. Even though this analysis searches for a cause and effect relationship between these two variables, it doesn't explain the cause and effect relationship (KanapGüngör, 2013: 145)

Table 11. Regression Analysis Table I

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,616	,327		4,936	,000
Training and Development	-,018	,056	-,026	-,318	,751
Performance Assessment and Reward	,081	,055	,117	1,461	,146
Systematic Selection and Recruiting	,267	,077	,313	3,487	,001
Formal Structure/Organization	,185	,081	,189	2,289	,023
Institutionalization of Family Relationships	,193	,062	,206	3,092	,002
Becoming Professional and Central Decision Making System	,010	,052	,012	,191	,849
R ² : 0,434 F: 24,702					

The results of the regression analyses which were conducted to reveal the cause and effect relationship of the model were examined over two dependent variables. Company performance and employee performance were examined as two factors that impact each other directly. For example, in an organization where the employees are happy and show high performance, the company performance will as well increase as a natural consequence. In return for this, as it is more valuable to be an employee in a company with a high performance, the person will work harder in order to preserve his/her position. When we look at the R² value, it is clear that the independent variables of the study have on the dependent variable an effect of 52.7%. Since social sciences accept values of 20% and over as high, we can confidently say that the research model and the selected scales are correct.

As seen on the tables above, in both research models, besides all the sub-factors, especially some topics have proven to be effective on performance. The dependent variables explanation rates of these two models are 43.4% and 52.7% respectively. These rates show that the dependent variables of the research, employee and company performances, are influenced by the independent variables of the research, institutionalization and human resources practices, approximately by 50%. Factors such as payment, working environment and qualified employees can be suggested to academicians who are willing to study further and conduct research on this subject.

Table 12. Regression Analysis Table II

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,616	,327		4,936	,000
Training and Development	-,018	,056	-,026	-,318	,751
Performance Assessment and Reward	,081	,055	,117	1,461	,146
Systematic Selection and Recruiting	,267	,077	,313	3,487	,001
Formal Structure/Organization	,185	,081	,189	2,289	,023
Institutionalization of Family Relationships	,193	,062	,206	3,092	,002
Becoming Professional and Central Decision Making System	,010	,052	,012	,191	,849
R ² : 0,434 F: 24,702					

CONCLUSION

In a time where the competition conditions are becoming harder every day, companies need to show high performance and increase their profits to survive. Common criteria used to determine the financial success of a company are; pre-tax net profit, net income, offering new products and services, increase in employee number, increase in new customer number and general profit levels. From this aspect, the experimental part of the thesis seems to contribute to the literature in several ways. Firstly, the research results show that the priority given to institutionalization in family businesses lead to increase in financial and expansion performance as well. Secondly, implementing modern human resources practices as a company strategy is a good method to improve employee performance. Moreover, selecting qualified employees, accurate job definitions, recruiting right people to right positions and institutionalization of the relationships of family members within themselves, also influence employee performance and company performance. Salary is a prioritized element in choosing a profession and commitment to an organization. Therefore it is essential for companies to develop a bonus and reward system in order to create employee commitment and to be able to keep the qualified employees.

Within the scope of the research, the relationship between company performance and employee performance factors to the other sub-factors shows that each sub-factor is related to both company performance and employee performance. In other words, the priority family businesses give to human resources practices and institutionalization increase employee performance as well as company performance. The results of the research reveal that employee assessment and rewarding employees, selecting and placing, training in order to implement strategic human resources practices influence company and employee performances. In case the executives place importance on these three elements, the overall company performance will increase. Even though we cannot see the cause and effect relationship on the correlation table, it is apparent that each sample on the survey is in interaction with its own sub-factors and all other scales. Institutionalization operations and human resources practices are closely related to company performance because one change in an organization impacts the whole of the

organization. The major elements of institutionalization are; conducting institutionalization activities, having an organization chart and a workflow diagram in the organization, adopting an open communication system among departments. Other activities serving institutionalization are; comprehensive training programmes, orientation, a bonus and performance system, applying professional recruitment techniques. The expected outcome of these operations are; increasing market share in the competitive business world, annual increase in sales, increase in employee numbers, increased employee satisfaction level and decrease in absentee rate. In an organization where the employees are happy and show high performance, the company performance will increase as well. In return for this, as it is more valuable to be an employee in a company with a high performance, the person will have to work harder in order to preserve his/her position.

In the survey, where the family business employees were asked questions in order to determine the current situation of institutionalization, according to the answers of the employees the most important data was assessed as three dimensions: formal structure and organization, institutionalization of family relationships, becoming professional and central decision-making system. The organization is essential, so that family member employees and non-family member employees know what tasks they are supposed to do, how they are going to do them and their authority and responsibilities. A certain job description enables a rapid workflow that saves a lot of time, and information is transferred timely and easily. In a company where the organization is planned properly, family member and non-family member employees become more committed to the work and to the company which in return minimizes production and sales failures, decreases costs and increase profit. So the research result proves that proper organization has a positive effect on employee and company performances.

Based on the results of this study, the following suggestions can be given to family business owners: By engaging human resources practices for increased company performance, better employee performance can be provided. Giving employees the impression of being valued in the work environment, human resources practices such as performance assessment, training and good payment will motivate the employees which in return may result in lower absentee rates, happier, more committed employees and at the end higher company performance. As seen in the results of the study, one of an essential factors influencing company efficiency is employee motivation. Providing and improving employee motivation supports the efficiency of the actions taken in order to reach company goals. Therefore, this should be prioritized.

Conflict about various issues between family members can sometimes cause emotional crises and other times authority and control crises. Sometimes different views regarding work or different interpretations of financial data can cause conflict in family businesses. The reason of conflict may also be emotional such as personal assessments, approvals, dissatisfaction. At this point the fundamental problem is the status and role confusion/chaos. The key element for organizations to survive, to achieve sustainable competition superiority and to increase performance is to have a strong structure and operation. The main factor for good structure is effective human resources management. The positive effect of human resources management on the institutionalization of family businesses and improved company performance is an expected result.

When we screen human resources practices adopted by executive management in family businesses, it is clear that result oriented performance assessment, recruitment according to qualified expertise, reward systems for higher performance, giving employees a share of the profits, promotions according to skills and abilities, proper training policies always influence employee performance positively. Employee and manager satisfaction rises, absentee rates drop accordingly. This results in increased company performance. The net income level obtained from the main activities has a significant place within company performance. The increase in products, services and customers are significant too. One of the most important desires of executive management is to strengthen the competitive status of the company in the market.

Family businesses that desire to reach permanent success need to adopt a human resources model suitable for their organization in the light of institutionalization principles and share the model with all employees transparently. Valuing employee views and allowing them actively to participate in decision-

making processes strengthen the organic structure of the company. Granting employees authority and responsibility makes them more ambitious, talented and willing. The research obviously shows that prioritizing institutionalization gives family businesses advantage against their competitors. Organizations that learn, develop, value their employees, that have updated knowledge and technology always achieve positive results. The priority is given to further learning and development as part of human resources management increase the overall performance of the company without a doubt. The analyses support this view.

As a result of the research, we can confidently say that learning at organizational scale, employees knowing they are valued, seeing their needs are being satisfied and having increased company commitment accordingly, having effective human resources management practices impact the general performance of the family business a lot. Since the improvement will be immense, family businesses should take these practices seriously into consideration and evaluate their current state.

Research regarding the effects of human resources management and company performance on institutionalization of family businesses is remarkably limited. This research may count as a beginning that examines the effects of human resources management and company performance on family businesses with regards to numerous variables. More comprehensive and accurate results can be achieved by further research on this subject in the future. Additionally, academicians who are willing to conduct further research can identify the employees as a research medium, and by analyzing their perception, the impact of human resources management practices on company performance and employee performance can be revealed. Such research would give valuable and beneficial feedback to companies. This study involves only family businesses; most of the attendance was from small or medium sized enterprises, especially from İstanbul, İzmir and Adana. Therefore, this limited range of attendance from companies that aren't yet institutionalized aren't specialized in human resources had an influence on the research results. Hence, some variables weren't reflected on survey results or were inconclusive. In case of conducting this research in big sized enterprises or institutionalized companies, the results of the study would be different.

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