

## **Career Choice on Family Business: A Case of Generation Y Whose Family Owns a Family Business**

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— *Review of* —  
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### **ABSTRACT**

The adoption of the family business of the second or third generation is one of the most critical problems of family business firms in Thailand. Successors who are Generation Y people may refuse to work for or do not need to continue the family business based on several reasons. This research studied the influence of the career expectation of the successors and two family-business characteristics i.e. organizational structure and corporate reputation on organizational identification and intention to work for their family business firm. Questionnaire survey was conducted with 367 Generation Y people whose families own a SME business. Structural equation modeling was performed. The results indicated that career expectation, organizational structure, and corporate reputation had direct influences on organizational identification and indirect influences on the intention to work for their family businesses.

Keywords: Family business, Career choice, Career expectation, Organizational identification.

### **1. INTRODUCTION**

Family businesses have played an important role as a key driver of Thai economics as 80 % of enterprises in Thailand are family business (Ministry of Industry of Thailand, 2016). The survival of a family business into second, third, fourth, and subsequent generations is an uncertain process. There are several reasons for the next generations to continue or discontinue their family business. The field of the business, sizing of the business, reputation of the firm, life opportunities, relationships among family members, management style, key authorized person, etc. can influence the next generations to decide whether to continue their family business or not. It is not an easy decision for a Generation Y who is the descendant of the family business owner or a member of the family to choose to work or not to work in their family business firms. Regarding the high individuality and high need for freedom, the Gen Y may choose their own way of working life and refuse to work with their family. “Family business” is the business that is owned and managed by a family in which a substantial family presence in ownership, governance, management, succession, and employment is illustrated. Most of business decisions in a family business are done by the members of a “kinship group” where the top management positions are mostly held by the family members. Different functions of the enterprise are processed by different members of the family. Family members who are working in the family business would take two roles, as a manager or business owner and other working position like a non-family member employee of the firm.

Organizational identification is currently of interest as an important factor that influence work selection of the Gen Y people. Hatch and Schultz (2000) explained that organizational identification as the perception of the organizational members on their relations with the firms. Patchen (1970) explained organizational identification by three keywords – solidarity with the organization, support for the organization, and shared characteristics with other members of the organization. Albert et al (2000) found the influence of organizational identification on several attitudes and behaviors of the employees including the decision to work for the firm.

To identify with an organization, previous researches suggested that the influencing factors can be categorized into three groups which are 1) length of relationship; 2) reputation and others perception on the image of the firm, and 3) value congruence between employees and the firm (Smidts et al, 2001; Boxx et al, 1991). Value congruence between the Gen Y people and their family business firms can be developed based on the structures of business and the career expectation of the Gen Y themselves. Thus, the two factors—organizational structure and career expectation— together with the reputation of the family business firms were emphasized as the key influencing factors of the organizational identification and work selection. However, the length of relationship was disregarded since this study focused on the Gen Y whose family already owns a business so they would, undoubtedly, feel familiar and have a long-term relationship with their family business.

## 2. LITERATURE REVIEW

### 2.1 Career Expectation

Career choices of the Gen Y are not simple due to some special characteristics of people in this generation such as full of need for success, strive to be unique, value the intellectual challenge and freedom, and seek for professional growth and development (Brown, 2004). The fact that the Gen Ys value freedom rather than security makes most of them choose to the career that they like, which may not be their family business. Money and security may not be the most important factors for them but the enjoyable work, challenging work, opportunity for success and advancement, social contribution, and work-life balance seem to be more motivating (Allen, 2004). Hurst and Good (2009) indicated that career choice of the potential employees is influenced by their expectation on the three work-related facets which are:

- *Pre-entry job expectation*: Knight et al (2006) found that the job that are suitable for Gen Y should be the jobs that can fulfill the sense of accomplishment, provide an opportunity to learn and develop new skills as well as providing a good pay and enjoyable atmosphere.

- *Supervisory support* provides strong influencing role on the work value, career development and job selection of the Gen Y people (Knight et al, 2006).

- *Employer obligations*: Benefits gained from work such as special job offers, job opportunities, promotions, scholarships, and so on, as called “employer obligations,” can be considered as the presume promises or contracts from the managerial people to Gen Y

people (Rousseau, 2000). Employer obligations were also found to influence career choice of the potential employees.

## 2.2 Corporate Reputation

Corporate reputation reflects the perception of people on its image and how well it is working which would lead to trust and credibility of the firm in society. It functions as information about the success and activities of the firm that communicates to all involving people such as customers, suppliers, competitors, investors, society, and employees themselves. Corporate reputation is the signal provided to the potential employees since it expresses traits, capability, performance and other attributes of the firm (Schultz et al, 2000). Thus, corporate reputation would have convincing power on the decision process of the potential employee to identify themselves with the firm and choose to work with the firm.

## 2.3 Organizational Structure

Sultan et al (2017) applied the high performance organization framework (HPO) to improve the performance of family businesses based on the structure of the organization. This framework focuses on thirty-five characteristics of the firm that can be categorized into five performance influencing structures of the firm (de Waal, 2012) which are:

- *Management quality*. This refers to the employees' perception on the people who are in managerial positions. Some specific characteristics such as trustworthiness, integrity, enthusiasm, sincerity, and effective leadership styles of the managerial people are expected. Fairness treatment of the management also plays an important role on organizational performance. Harryanto (2017) found that organizational fairness has significant affect the performance.

- *Openness and action-orientation*. Opening for the new ideas from employees, giving opportunity to the employees, having knowledge sharing process, accepting for some human errors and unavoidable mistakes are expected to be the organizational characteristics of the high performing firm.

- *Long-term orientation*. The concept of the relationship quality is applied while the sense of security and business partnership is valued. The firms with high performance are expected to have a long term relationship and commitment between business owners, suppliers, customers and other stakeholders.

- *Continuous improvement*. This is unique strategy of the high performing firms. The firms are expected to improve continuously in both products and working processes. Innovations and other business strategies that provide competitive advantages to the firm are highly valued

- *Employee quality* is the last performance influencing factor that should not be overlooked. The complimentary training, performance improvement, flexibility and effective feedbacks are emphasized as the strategies to enhance the firm performance.

The firm with high level of these five structures would, undoubtedly, have high performance. It would not be surprising if the potential employees feel delighted with the firm, need to identify themselves with the firm, and desire to work for the firm.

## 3. RESEARCH METHODOLOGY

Survey research was designed. Seventy-two measurement items were used. They were modified from Hurst and Good (2009), Chun (2005), and Sul-ton et al (2017) to measure career expectation, corporate reputation, and organizational structure. The organizational identification questionnaire (OIQ) proposed by Gautam et al (2004) was adapted to measure organizational identification and intention to work in the firm. Five-point rating scales were applied. Back translation method was performed. The Thai version of the questionnaire was pre-tested with thirty Generation Y people. Cronbach's alpha coefficients showed that all measurements were reliable as the coefficients of 0.929, 0.931, 0.955, 0.920, and 0.829 were illustrated for career expectation, corporate reputation, organizational structure, organizational identification, and intention to work in the family business firm.

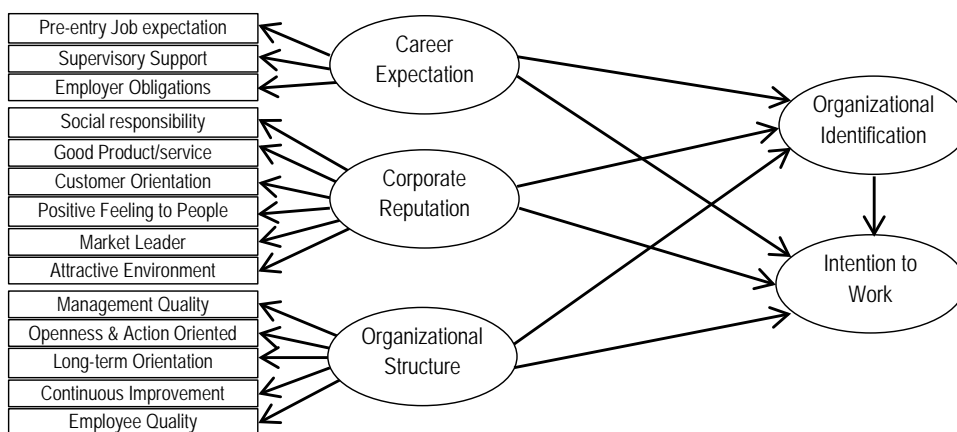
#### *Population and Sample*

University students who were taking their last semester of the undergraduate level were the proxy of Gen Y people who were in the transition process from education to the working world. Only students who have family business were targeted. Sample size was determined with regards of the constraints of the structural equation modeling analysis, i.e. 5-20 samples per measurement item. A total of 360 sample size was targeted ( $72 \times 5 = 360$ ). Convenience sampling was applied. Data were collected from five universities, three public universities and two private universities in Thailand in 2018. The filter questions, "Do you plan to work after graduation?" were asked. Students who said "No" or "May be" were excluded from the study while those who answered "Yes" were invited to join the survey. Next, the screening question "Do you/your family have a family business?" was asked to ensure that they were the Gen Ys who have a family business. Any students who meet the criteria were approached to join the survey. The data were collected based on the volunteer basis. The questionnaires were given to students who met the criteria. All respondents were asked to complete the questionnaire immediately and return it to the surveyors on the site. Eighty sets of data were collected from each university. Four hundred sets of data were gathered. However, thirty-three sets were discarded due to their incompleteness. Thus 367 data sets were usable for the data analysis. Most of the respondents were females with 69.8 percent while the rest 30.2 percent were males. Most of them were 21-23 years old (76.6 percent), followed by more than 23 years old and less than 21 years old with 19.1 and 4.4 percent respectively. Most of the respondents studied business administration (59.1 percent), followed by business arts & liberal arts, communication arts, accounting, engineering, and others with 26.2, 5.2, 3.3, 2.5, 2.2, and 1.1 percent respectively. All 367 respondents had family businesses while the key management person of their family business were mostly their parents (83.4 percent), followed by relatives or cousins (12.0 percent), their siblings (2.8 percent), and others (0.5 percent). Forty percent of respondents wanted to work in their family business firms after graduating while 31.9 percent did not and the rest 28.1 percent were not sure that they will work for their family business or not.

#### **4. DATA ANALYSIS AND RESEARCH FINDINGS**

Structural equation modeling (SEM) was used as major data analysis method. A confirmatory factor model for all 72 measurement items was conducted. Satisfactory results were obtained as CFA model was fitted well with the data ( $\chi^2/df=2.81$ ; GFI=0.889; IFI=0.917; TLI=0.903; CFI=0.917; RMSEA=0.048). Thus, construct

validity of the measurement was ensured. To develop the structural equation model, the second-order constructs for three independent variables were designed, i.e. career expectation (pre-entry job, supervisory support, and employer obligations), corporate reputation (social responsibility, good product/service, customer orientation, positive feeling to people, market leader, and attractive environment), and organizational structure (management quality, openness and action orientation, long term orientation, continuous improvement & renewal, and employee quality). Intention to work in the family business firm was put as the dependent variable while organizational identification was appointed as the intervening variable that mediated the relationship between all independent constructs and the dependent construct as seen in Figure 1.



**Figure 1: Proposed SEM Model**

All fit indices exceeded the cutoff points. The chi-square per degree of freedom ( $\chi^2/df$ ) was 2.821. All selected goodness of fit indices exceeded the cut-off point of 0.09 (GFI=0.918; IFI=0.971; TLI=0.962; CFI=0.971) with the RMSEA of 0.041 indicated the good fit of the structural equation model (Bentler, 1990). Structural relationships of all constructs are presented in Table 1.

**Table 1: Structural Relationships of the Constructs in the Path Analysis**

Path Relationship	Coefficients		C.R.	p
	Unstd	Std		
Career Expectation → Organizational Identification	0.365	0.347	2.565	**
Corporate Reputation → Organizational Identification	0.450	0.397	2.380	*
Organizational Structure → Organizational Identification	0.661	0.635	5.427	***
Career Expectation → Intention to work	0.202	0.172	1.625	N.S.
Corporate Reputation → Intention to work	0.067	0.053	0.398	N.S.
Organizational Structure → Intention to work	0.011	0.010	0.094	N.S.
Organizational Identification → Intention to work	0.606	0.534	16.927	***

**Remarks:** \*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; \* $p < 0.05$ ; N.S.=Not Significant;  $R^2_{Identification} = 0.35$ ;  $R^2_{Intention} = 0.559$

Significant effects of career expectation ( $\beta=0.365$ ;  $p < 0.01$ ), organizational reputation ( $\beta=0.45$ ;  $p < 0.05$ ), and organizational structure ( $\beta=0.661$ ;  $p < 0.001$ ) on organizational identification were found while their direct effects on intention to work in the family

business firm were not found. As organizational structure was found to have highest influence on organizational identification (standardized  $\beta=0.635$ ). as there was a significant effect of organizational identification and intention to work for the firm, indirect effects of the career expectation, corporate reputation, and organizational structure were illustrated. In addition, the multiple R-square ( $R^2=0.35$ ) of the organizational identification indicated that 35 percent of the variation of the organizational identification could be explained by career expectation, corporate reputation, and organizational structure. For the intention to work in the family business firm,  $R^2=0.559$  indicated that all constructs, i.e. career expectation, corporate reputation, organizational structure, and organizational identification could explain the variation of intention to work in the family business firm by 55.9 percent.

## 5. CONCLUSION AND DISCUSSION OF THE FINDINGS

Career expectation, corporate reputation, and organizational structure were found to have significant influence on organizational identification but not intention to work in the family business firm. Regarding the significant effect of organizational identification on intention to work in the family business firm, all three factors—career expectation, corporate reputation, and organizational structure had indirect influence on intention of the Gen Y people to work in their family business. In addition, organizational structure was found to have highest influence on organizational identification followed by career expectation and corporate reputation. The influence of organizational structure on organizational identification and its indirect influence on intention to work in the family business firm were consistent with the findings of de Waal (2012), and Sultan et al (2017). Family business firm with high performance influencing structures i.e. high quality of management would, undoubtedly, make the Gen Y people to aware of the effective system and support and identify themselves with the firm. Then, organizational identification would enhance their needs to work with the firm. Family business with openness and action-orientation has the operational processes that are open for its members to contribute to. Employees' mistakes and human errors can be accepted as well as the new ideas proposed by the employees. The opportunities are normally given and knowledge is sharing among people in the organization. The long-term orientation indicated the organizational value on the quality of the relationships among stakeholders. This would lead to the expectation on the job security, advancement, and promotions. Continuous improvement and renewal refers to the expectation on the continuous improvement of both products and working processes. Employee quality emphasizes on the quality of the overall employees of the firm that are resulted from effective and sufficient training, performance improvement programs/ strategies as well as the flexibility and effective feedbacks from the peers and managerial people. Family business that has all of these structures would be able to attract Gen Y people to identify themselves with the firm and also decide to adopt and continue their family businesses.

The Gen Y people as the successors of their family business who have a clear picture about the actual characteristics of their firms i.e. job characteristics, supervisory support, and the firms' obligations together with the recognized corporate reputation would identify themselves with their firm. Then, the selection to work or not work with the firm is dependent on the degree that they identify themselves with their family business firms.

## 6. MANAGERIAL IMPLICATION

As the Generation Y people are the majority in the current workforce while the new graduates who are in transition period from education to work are all Generation Y people, the roles of Gen Y on the workforce have been dramatically increasing. The understanding of the factors influencing Gen Y people to decide to adopt their family business would be beneficial in both micro and macro-economics of Thailand. As the family businesses which are mostly SMEs that drive the current national economics, the effective strategies to convince Generation Y to adopt the family business would be emphasized. The findings from this research indicated that the organizational structure is the influencing factor that plays a significant role for the Generation Y people to choose their job more than career expectation and corporate reputation. The information on the five components of the organizational structure, i.e. management quality, openness and action-orientation, long-term orientation, continuous improvement and renewal, and employee quality would be effectively given to both Gen Y family members and the key persons who are currently operating the family business. As such, the transitional process of the family business from one generation to the next generation would be performed effectively.

## 7. RECOMMENDATION FOR THE FUTURE RESEARCHES

As organizational structure is found to play an important role on the career choice of the Gen Y people whether to adopt their family business or not, the details and effects of each component of this construct i.e. management quality, openness and action-orientation, long-term orientation, continuous improvement and renewal, and employee quality on career choice would be emphasized. The effects of each construct on career choice, organizational identification, and other related constructs such as company value, trust, believability, and so on can be focused. Moreover, the comparisons of the career choices of the Gen Y who have and do not have family business can be emphasized.

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