



# Owner-Managed Companies and Risk Taking in the Context of Crises and HRM Practices

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# 1.1 Germany's Jobs Miracle



Mild response of the German labor market ...

... several explanations were discussed in the literature, which can be viewed as being more complimentary instead of substitutive ... but ...

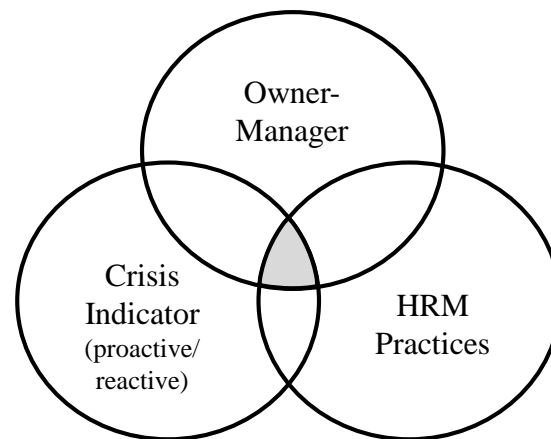
Real GDP shock and change in unemployment rates for 30 OECD countries (2009/Q2 vs. 2008/Q2)  
 Source: Möller (2010).

## 1.2 Research Question(s)


... with these explanations - from the perspective of owner-managed companies - one possible argument remains unnoticed:

➔ *Did the unity of ownership and management also influence HRM Practices in the recent financial and economic crisis in Germany? (WIP, Backup)*


➔ *Are there - especially in times of crisis - really differences between owner-managed and non-owner managed companies?*



## 2.1 (Some) Theoretical Explanations

Theory	Consequences
Non-Financial Goals/ Stewardship	<i>... not only driven by financial goals, but also especially through non-financial goals (e.g. Tagiuri/Davis 1992; Zellweger et al. 2013) ... not under the pressure of short-term profit goals and instead are long-term oriented (e.g. Ward 1998; James 1999; Anderson/Reeb 2003)</i>
 <i>Individual utility is not the overweighing factor, instead the effect on the substantial stakeholders and on reputation are also taken into account (e. g. Le Breton-Miller/Miller 2009; Gils et al. 2014)</i>	
Corporate Reputation	<i>... concerned about image and reputation (e. g. Kets de Vries 1993; Dyer/Whetten 2006)</i>
Stakeholder	<i>... take into account in their decision making the local community as well as their employees (e. g. Bingham et al. 2011)</i>
Social Identity	<i>... owners identify more with their employees (e. g. Block 2010)</i>

(...)


 Family firms and managerial risk-taking (e. g. Hiebl 2012; Colli 2013; Mazzelli 2015)

## 2.2.1 Socioemotional Wealth

- (1) SEW (Gomez-Mejia et al. 2007) = “Umbrella” (Gomez-Mejia et al. 2011; Berrone et al. 2012)
- (2) “the SEW approach (...) is recently gaining traction in the family business literature because it offers a less normative view of managerial risk-taking than traditional economically grounded theories do” (Minichilli et al. 2016, p.554; similar Shukla et al. 2013, p.106).
- (3) To avoid losses in SEW, family firms are willing to accept risk (e. g. Gomez-Mejia et al. 2007, Berrone et al. 2010)
- (4) FIBER scale (see Berrone et al. 2012; Hauck et al. 2016):

FIBER scale	Consequences
Family control and influence	<i>Control over strategic decisions, ability to exercise authority, etc.</i>
Family members' identification with the firm	<i>Unique identity within family firms, usually carries the family's name, extension of the family itself, influence on the attitudes toward employees, positive family image and reputation, higher levels of CSR, etc.</i>

(continued)

## 2.2.2 Socioemotional Wealth

(3) FIBER scale (see Berrone et al. 2012; Hauck et al. 2016):

FIBER scale	Consequences
<b>Binding</b> social ties	<i>Kinship ties (e. g. relational trust, feelings of closeness, and interpersonal solidarity), often shared by nonfamily employees, promoting a sense of stability and commitment, deeply embedded in their communities, etc.</i>
<b>Emotional</b> attachment	<i>Wide range of emotions, influencing decision-making process, positive self-concept, loss of the firm represents a highly emotional event, etc.</i>
<b>Renewal</b> of family bonds to the firm through dynastic succession	<i>Handing the business down to future generations, horizons in the decision-making process, firm symbolizes the family's heritage and tradition, long-term family investment, longer term planning horizons, patient capital, etc.</i>

(4) (Extreme) Negative performance, mixed gamble (e. g. Mazzelli 2015; Martin und Gomez-Mejia 2016)

## 2.3 Hypotheses

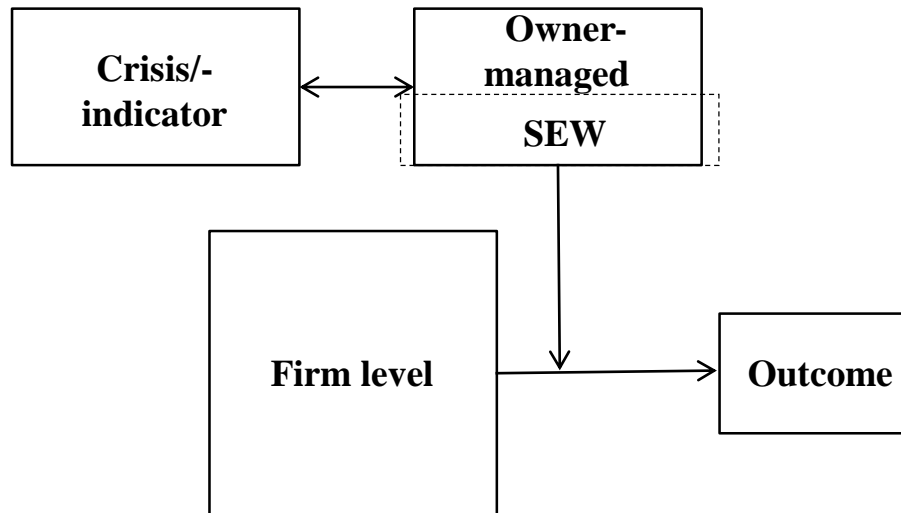
Following hypotheses are postulated (compared to non-owner managed):

*H(1): There is a negative relationship between owner-managed companies and the likelihood of reductions in staff.*

*H(2): During a crises (proactive), there is a negative relationship between owner-managed companies and the likelihood of reductions in staff.*

*H(3): During a crises (reactive), there is a negative relationship between owner-managed companies and the likelihood of reductions in staff.*

## 2.4 Model






### 3. Literature Review (in a broader sense)


#### Studies (qualitative or cross sectional)

*Chu/Siu (2001)*  
*Cater/Schwaab (2008)*  
*Frey et al. (2010)*  
*Kraus et al. (2013)*  
*Cater/Beal (2014)*  
*Whyman/Petrescu (2015)*  
*Smith (2016)*  
*Tsao et al. (2016)*

- 
- *Results mainly (+)*
  - *Some studies are based on publicly traded companies*
  - *Country specific forms of employment and labor laws*
  - *Core and non-core workforce*
  - *Measurement of the dependent/ independent variable*

#### Studies (quantitative, longitudinal)

*Lee (2006)*  
*Sraer/Thesmar (2007)*  
*Stavrou et al. (2007)*  
*Block (2010)*  
*Mueller/Philippon (2011)*  
*Bassanini et al. (2013)*  
*Bach/Serrano-Velarde (2015)*  
*Belot/Waxin (2015)*  
*Bjuggren (2015)*  
*van Essen et al. (2015)*

- 
- *Some studies only consider family firms/ Mittelstand*
  - *None or similar crisis indicators*
  - *Crisis intensity*
  - *(...)*

## 4.1 Methodology - Data

The analyses are based on the establishment panel of the Institute for Employment Research (IAB). This panel is a representative employer survey conducted at individual establishments in Germany. Today, nearly 16,000 establishments nationwide from all branches of the economy and of all sizes are surveyed annually according to diverse employment parameters (Fischer et al. 2009).

- Merge: Establishment History Panel (BHP)
- Selected research units: Non-government owned/ private
- Period: Longitudinal data (2007 - 2014, unbalanced)

WIP!

## 4.2 Methodology - Definitions & Variables

### Dependent Variable:

- $\Delta \text{outflows}_{it} - \text{inflows}_{it}$
- Other possibilities: Relative delta, rates, massive layoffs (e. g. binary), wages, etc.

### Independent Variable:

- Owner-managed (continuous variable)
- Narrow family firm definition (IfM Bonn 2018)
- Effects of a narrow definition (e. g. Gomez-Mejia et al. 2007; Marques et al. 2014)
- Indirect measure SEW (see Hauck et al. 2016)
- Other possibilities: Managed solely by the owner/ family members or solely by employed managers, or both, etc.

WIP!

## 4.3 Methodology - Methods & Interactions

### Interactions:

- Models without crisis indicator/ interaction
- Crisis perception (e. g. Bundy et al. 2017) and crisis indicators (e. g. Kraus et al. 2013):
  - Owner-manager##Competition ⇒ Reactive, subjective
  - Owner-manager##TurnoverExp. ⇒ Proactive, subjective
  - Owner-manager##Turnover ⇒ Reactive, objective

### Applied Methods:

- Fixed-Effects and Random-Effects Model

$$y_{it} = \alpha_i + x_{it}'\beta + \varepsilon_{it}$$

- Propensity Score Matching (WIP, Backup)

$$\tau_{ATT} = E[Y(1) | D = 1, P(X)] - E[Y(0) | D = 0, P(X)]$$

## 5.1 Results - RE and FE Model

	Random Effects <sup>1</sup>		Fixed Effects <sup>1</sup>	
Indicator	-			
Independent Variable	Coef.	Std. Err.	Coef.	Std. Err.
Owner-manager	0,165	0,421	-5,277 ***	0,993
(...) <sup>2</sup>				
Number of obs	11724		11724	
R <sup>2</sup> (overall)	0,162		0,112	
Robustness (size restrictions)	micro firms (+) other (-)		large firms (+) other (-)	
Indicator	Competition			
Independent Variable	Coef.	Std. Err.	Coef.	Std. Err.
Owner-manager	-2,025	1,487	-17,709 ***	3,166
Competition (yes)	7,524 ***	2,817	10,673 **	
Competition#Owner-manager	-3,126 **	1,582	-6,540 **	
(...) <sup>2</sup>				
Number of obs	5471		5471	
R <sup>2</sup> (overall)	0,219		0,153	
Robustness (size restrictions)	medium and large firms (+) other (-)		medium and large firms (+) other (-)	

\*p ≤ 0.10, \*\*p ≤ 0.05, \*\*\* p ≤ 0.01

<sup>1</sup> WIP: Variable selection, Hausman test, marginsplot, etc.

<sup>2</sup> Included variables: Substitutes/ Personnel Structure: Overtime, Working time accounts, Temporary agency workers, Freelancers under contract, Wages, Qualifications, Part-time workers, Fixed-term contracts; Firm Specific: Ownership structure, Establishment age, Establishment type, Legal form, Work councils, Trade unions, Establishment changes (divers), Technology, Investments (divers), Slack, Prospects (or interaction), Annual result, Profit situation, Export, Pressure from competition (or interaction); Dummies: Size (employees), Federal state (dummies), Industry (dummies), Time (dummies)

(continued)

Source: Own calculations using IAB Establishment Panel and BHP, waves 2007 - 2014, on-site use.

## 5.2 Results - RE and FE Model

Indicator	Random Effects <sup>1</sup>		Fixed Effects <sup>1</sup>	
	Turnover expectations			
Independent Variable	Coef.	Std. Err.	Coef.	Std. Err.
Owner-manager	0,949	0,604	-2,078 *	1,216
Turnover expectations (same)				
rise	-3,352 **	1,571	3,188	2,188
fall	6,952 ***	1,832	7,533 ***	2,439
TurnoverExp#Owner-manager				
rise	-1,578 *	0,853	-5,568 ***	1,165
fall	-0,626	0,892	-1,824 *	1,138
(...) <sup>2</sup>				
Number of obs	11718		11718	
R <sup>2</sup> (overall)	0,168		0,114	
Robustness (size restrictions)	micro and small firms (+) other (-)		all (-)	
Indicator	Turnover lagged			
Independent Variable	Coef.	Std. Err.	Coef.	Std. Err.
Owner-manager	0,797 *	0,468	-1,845	1,232
Turnover lagged	-4,561 ***	5,521	-6,551	6,341
L.Turnover#Owner-manager	-1,691 ***	1,961	-4,401	2,931
(...) <sup>2</sup>				
Number of obs	7991		7991	
R <sup>2</sup> (overall)	0,314		0,196	
Robustness (size restrictions)	medium and large firms (+) other (-)		all (-)	

\*p ≤ 0.10, \*\*p ≤ 0.05, \*\*\* p ≤ 0.01

<sup>1</sup> WIP: Variable selection, Hausman test, marginsplot, etc.

<sup>2</sup> Included variables: Substitutes/ Personnel Structure: Overtime, Working time accounts, Temporary agency workers, Freelancers under contract, Wages, Qualifications, Part-time workers, Fixed-term contracts; Firm Specific: Ownership structure, Establishment age, Establishment type, Legal form, Work councils, Trade unions, Establishment changes (divers), Technology, Investments (divers), Slack, Prospects (or interaction), Annual result, Profit situation, Export, Pressure from competition (or interaction); Dummies: Size (employees), Federal state (dummies), Industry (dummies), Time (dummies)

Source: Own calculations using IAB Establishment Panel and BHP, waves 2007 - 2014, on-site use.

## 6.1 Conclusion

### First Results:

#### Without Indicator H(1):

Mixed results, only robust in some size classes

#### Proactive Indicator H(2):

Mixed results, not robust in size classes (FE)

#### Reactive Indicator Turnover (H3):

Mixed results, not robust in size classes (FE)

#### Reactive Indicator Competition (H3):

Seems to be robust (...)



A part of the research gap shown e. g. by Block (2010) could be closed:

- Considers smaller, private companies
- Different forms of employment (...)

Only without size restrictions:

The results are in line with comparable studies from other countries (e. g. Bassanini et al. 2013; Bjuggren 2014) (...)

## 6.2 Conclusion

### Some Implications:

- Owner-managed companies “behave differently” only in some situations (+ size effect)
- Negative financial performance and mixed gamble situations
- Measurement of the dependent variable and crisis indicators
- Job security can be an important criterion for the selection of an employer (e. g. Hauswald et al. 2016)
- Resilience of family firms (e. g. Chrisman et al. 2011) (...)

### Some Limitations:

- Only one dependent variable (WIP)
- Establishments vs. companies (WIP)
- Reason for leaving (WIP)
- Owner-manager vs. family firms (WIP)
- Proxy Variables
- Use of secondary data (...)





## 6.3 Conclusion

### Future Research:

- Behavior of companies with a mixed management structure (managers and owners)
- Other definitions (Dependent and independent variable)
- Other methods (DID and subsequent regressions, dynamic panel data models, etc.)
- Other research questions (e. g. investment- and innovation-behavior) (...)

# Thank you for your kind attention!



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