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MEDIATING EFFECTS ON PERFORMANCE OF THAI FAMILY BUSINESSES

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Abstract

The global economy is generated by family businesses but only 5% of family firms can survive in long term. The effects of business' size, conflicts, family values, leadership in family firms, and number of non-family members in the family companies are widely found in the recent literatures. However, only little researches focus on how family firms can extend their business life cycle. Consequently, the achievement of sustainable business performance of family businesses has the significant gap in literatures that researchers should fill in. The understanding of how family businesses can achieve their performance to be able to survive in the forceful business environment is the aim of the research. According to the literatures, family businesses frequently face with face with severe problems in long term because their disadvantages are naturally caused by their characteristic. This characteristic is generated by the mixture of "family" and "business" which is the uniqueness of family firms that gives them a great competiveness. Nevertheless, the distinctive characteristic can also create the vast disadvantage itself. The combination of family and business makes the family businesses a complexity which are naturally inherent with short-term view of management and full of unfairness. These factors can decrease their business performance significantly and finally make family firms extinct from the business world. Family businesses are suggested to focus on their unique competitive advantage (commitment) and factors that can lessen this competitiveness. Several researchers mentioned that managerial trust is the factor influencing the commitment of business owners. After the reviewing of literatures, the conceptual framework (the four propositions included) is developed and proposed to examine how family business can survive in long term. It links five variables which are key constructs of family business. The proposed model consists of two main objectives. First, the model is developed to verify the relationship between managerial trust, commitment, and business performance. Second, the model is proposed to investigate the impact of unfairness and

short-term strategy. The samples, which are business' owners in several industries, are picked randomly from the list provided by the Department of Business Development Ministry of Commerce (DBD). After the careful developed questionnaires are returned, the information will be examined by two computer programs (SPSS and AMOS). The gap of how family business can survive sustainably is therefore fulfilled by the findings of the research which contribute to both practitioners and academia in family business.

Introduction

Family businesses drive more than 30% of the world economy; nevertheless, they could not survive in long term (Hamilton, 2011). Collins and O' Regan (2011) mentioned that the importance family business is broadly appreciated. They also said that most of the countries perceive family business as the pillar of their economy. Excitingly, Rodríguez (2009) acknowledged that family businesses generate great Gross National Product (GNP) throughout the world (40-45 percent of GNP in North America, 35-65 percent of GNP in EU members, and 65- 82 percent of GNP in Asia). Furthermore, the amount of family business is much greater than non-family business; for example, eighty percent of US business is family business. However, less than 5% of family business can survive in long term (Basu, 2004; Lussier & Sonfield, 2006; Cater III & Justis, 2010). Family businesses have been studying by many researchers because of the contrast of their excessive importance and the low survival rate. The factors that can create the sustainable business performance of family business therefore needs to be focused and examined.

Collins & O' Regan (2011) stated that researchers pay attention on family business as the interesting academic topic less than 30 years. Many researchers also mentioned that the topic of family business becomes more popular because it has the extensive growth in study (Basu, 2004; Rodríguez, 2009; Collins & O' Regan, 2011). Nevertheless, there are several literature gaps in family business needed to be completed. First, the study of unfairness within family firms has not been focused by many researchers. The owners of family business can achieve their goal because they generally have the strong level of commitment; however, it can be influenced by managerial trust (Collins & O' Regan, 2011). Leaders will have more commitment when they gain trust from their subordinates. Although trust can increase the level of commitment, unfairness within family business can influence their relationships.

Second, researchers are interested in the process that makes family businesses have short business life cycle rather than the exploration of why they are failed. Because family firms tend to apply short-term strategies; thus, the researcher will examine the strategies applied by family businesses as a factor that shorten their business life cycle to fill in the literature gap. Third, Thai family businesses are studied by little number of researchers even though Thailand is one of the fastest growing economies in Asian countries (Swierczek and Onishi (2003). Brice and Richardson (2009) mentioned that family businesses do not only drive economy in developed countries also in developing countries. Fourth, the measurement of family business performance is another limitation of the latest literatures. Objective measurement - such as profit and return on asset (ROA) - is the most frequently indicator used by most researchers. Ibrahim, Soufani, and Lam (2003) stated that subjective measurement should be considered when a researcher wants to study on the performance of family businesses. This is because subjective measurement is more appropriate indicator to examine the emotional issue such as family relationship within the family firms. From the above statement, multidimensional indicators for exploration of family business performance will be developed in this research. The research question of this study is therefore generated as *"How the unfairness and short-term strategy affect the business performance of Thai family companies?"* to fill in the recent literature gaps.

Objectives

1) To develop a conceptual framework of the relationship between trust, commitment, unfairness, short-term strategy, and business performance of Thai family business.

2) To verify the relationship between managerial trust and commitment and the relationship between commitment and business performance.

3) To study the effect of unfairness and short-term strategy.

Definition of family business

Many researchers gave the definition of family business for their research before conducting the study. For example, "the firm that family members are shareholders which hold the voting right and decision-making right", (Ng and Thorpe, 2010). Cater and Justis (2010) performed their research by using the definition of family firms as "the company that the ownership is belonged to multiple family members and the management level is controlled by several family members". Another example of family business definition was given by Sreih (2009), Handler (1989), and Elman (1988) as "a business that is owned, managed and controlled by one or more family members".

More than 90 definitions of family business were pointed out by researchers (Collins and O'Regan, 2011). Erdem and Başer (2010) specified that it is hard to clarify the definition of family businesses because it is complicated and concerned with many variables. Three factors that are the foundation of the definition consist of the degree of family ownership, the degree of family control in management, and the intention of the succession (Cater III and Justis, 2010; Zachary, 2011). In general, the intention of the succession is neglected by researchers. Laakkonen and Kansikas (2011) said that family business' owners aim to handover their business to their heirs; consequently, the definition should include the intention of the succession. The combination of all those three factors is therefore appropriated for the definition of family business. Adaptation of the definition from many researches is then carefully considered as "The firm that has been controlled by family members and wants to securely transfer their businesses to the next generations with major shareholders, voting right and decision-making right" (Claessens *et al*., 2002; Barontini and Caprio, 2005; Fahlenbrach, 2006).

Literature reviews

The relationship between managerial trust and commitment

The factor that makes an organization achieves its long term accomplishment is managerial trust)Dayan, 2010; Shi, Shepherd, and Schmidts, 2015 .(Rousseau *et al*) .1998(, Parayitam and Dooley)2007 (mentioned that trust is the willingness of a person to take a risk of believing in their leader's behavior .To be able to survive in the chaotic business environment, leaders may have to implement many risk-taking strategies which needed to gain the belief from their subordinates .Trust environment is therefore the essential factor to cope with unstable business environment and to attain the goal of the organization)Zuppa, Olbina, and Issa, 2016 .(As mentioned above, trust benefits company in many ways .The trust environment leads the company to attain competitive advantage to compete with the tough business environment .People will dedicate themselves when they are trusted)Lewicka and Krot, 2015; Joseph and Winston, 2005 .(Entrepreneurs will have moral support when they have got trust from their employees) Malcolm and Hartley, 2010 .(Möllering, Bachmann, and Lee)2004(signified that the level of engagement of the owners is higher after they have found that they are trusted . Because of its significant importance, the factors that can generate managerial trust is then proposed and studied by researcher. Zachary)2011(and Rampersad *et al* .)2010 (stated that commitment, which is the uniqueness of family business, is the attempt of family business owners to devote their personal time to their businesses .They put on the incredible effort to work hard to achieve the goal of their companies .This splendid dedication becomes the unique competitiveness of family business because the level of commitment within family firm is much more than non-family business)Rampersad *et al*., 2010 .(From the above statement, the commitment of leaders which is the great business competitiveness can be increased by the managerial trust)Cater III and Justis, 2010 .(Nevertheless, the relationship between commitment and managerial trust is discussed from many researchers .On one hand, commitment is believed that it can influence trust because leaders got trust from subordinates after they put their effort on the company)Rampersad *et al*., 2010 .(Conversely, commitment is studied by many researchers and found that it is resulted from the managerial trust)Swierczek and Onishi 2003; Malcolm and Hartley, 2010 .(Dayan)2010(supported that managerial trust can increase the level of commitment which can lower the turnover rate and eventually increase the level of business performance .It can be understood that the relationship between managerial trust and commitment is the crucial topic)Lewicka and Krot, 2015; Jiang, Gollan, and Brooks, 2015.(This research therefore aims to highlight the effect of trust on the commitment of family business .

Proposition 1: The higher level of managerial trust leads to the higher level of commitment.

The moderating effect of unfairness

The mixture between family and business is the cause of family business' unique characteristic (Ibrahim, Soufani, and Lam, 2003). In addition, this uniqueness results in family firms' competiveness (commitment) (Lussier and Sonfield, 2006). To gain the full benefit from this exceptionality, the combination between "family" and "business" must be fine managed. This is because this remarkable unique can turn into disadvantage itself, which is called unfairness (Collins and O'Regan, 2011). The exceptional combination can lead to the complex organization and emotional issue. Interestingly, unfairness has been studied by very few researches although its effects are dreadful.

A study of antisocial behavior and its relationship to managerial trust pointed to the importance of unfairness or perceived injustice as an intervening factor between managerial trust and organizational commitment (Chory and Hubbell, 2008). The authors studied behavioral responses such as deception, hostility, interpersonal aggression and obstructionism, noting that these antisocial responses generally resulted from poor organizational commitment (though sometimes associated with high continuance commitment). They found that high perceptions of justice (in other words, perceptions that the workplace was fair) and high managerial trust were both negatively associated with the four antisocial behaviors identified. In other words, as justice perceptions and managerial trust went up, antisocial behaviors went down. The authors also observed a mediation effect of managerial trust on the relationship between justice and the antisocial response factors (Chory and Hubbell, 2008). Thus, while this study does not specifically examine organizational commitment, it focuses on behaviors that occur in the absence of organizational commitment, providing insight into the potential real outcomes of such a relationship.

Another study on unfairness addressed organizational commitment following a downsizing event (van Dierendonck and Jacobs, 2012). This study used a quantitative meta-analysis approach to understand how downsizing survivors responded in terms of organizational commitment. The authors pointed out that there were different types of unfairness that might make a difference; for example, while distributive justice (for example the size of downsizing redundancy payments) did not play a strong role in trust, procedural justice (the perception of how fair the choice of downsized employees was) did (van Dierendonck and Jacobs, 2012). Their study found that procedural justice had a significant role in affective commitment, preserving generalized organizational trust. This effect was higher for some countries, especially those that were highly individualistic (van Dierendonck and Jacobs, 2012). Thus, this study does point to a possible intervening effect of unfairness between managerial trust and organizational commitment. However, it did not directly this test relationship. Furthermore, the study only addressed affective commitment, and did not address normative or continuance commitment. Thus, these studies provide some support for a possible relationship, but are not conclusive.

From the literatures, the influence of unfairness can affects the relationship between trust and commitment. This research thus intend to investigate and reinforce its effects. The proposed proposition is then developed and shown below.

Proposition 2: The relationship between trust and commitment is moderated by unfairness.

The relationship between commitment and business performance

All companies want to acquire the performance as high as they can because it indicates the achievements of their organization (Elbanna and Naguib, 2009). Oyewobi, Windapo, and James (2015) identified that most of researchers assess the business performance by the objective measurement. The most frequently used indicator is the return on assets (ROA) which measures the effectiveness of company's resource exploitation to create the company's income (Elsaid and Ursel, 2011). Growth rate is also regularly practiced to investigate the business performance (Laakkonen and Kansikas, 2011). They said that growth rate is used to examine the expansion of company's revenue. The results of their study illustrated that while the first generation is rising their business growth more speedily, the next generations can acquire more profit. Because of the complication of family business, it is needed to be examined in multi-dimension (Lissoni *et al.*, 2010; Parnell, Lester, Long, and Köseoglu, 2012). Therefore, objective indicators are not sufficient to examine family business performance themselves and multidimensional indicators should be developed to cope with the complex organization such as family business (Beham and Drobnic, 2010).

Apart from the importance of multidimensional indicators, the cause of business performance must be examined to be able to increase the level of achievement. Chi, Kilduff, and Gargeya (2009), Erdem and Başer (2010) and Kotey (2003) indicated that company that has the higher competiveness can achieve greater performance. Leader's skill is proposed as the main competitiveness of family firms because the owner is the one who leads his/her own companies; therefore, he or she needs to attain sufficient skill to grow their business' wealth (Moller, 1994). Besides, Zhou (2014) and Parayitam and Dooley (2007) specified that commitment is the most important competitive advantages because it is the unique competiveness of family business comparing with non-family business. Also, Tzempelikos (2015) and Cater III and Justis (2010) recommended that higher business performance can be attained by higher commitment. This research aims to strengthen this relationship and to focus on the commitment as the cause of business performance.

Proposition 3: The higher level of owner's commitment leads to the better business performance.

The moderating effect of short term strategy

Family business is perceived as the company that has short term view of management which eventually has the short business life cycle (Lutz and Schraml, 2012; Sabourin, 2015). Braun, Latham, and Porschitz (2016) identified that family companies tend to implement short-term strategies. This showed that achievement of short term performance cannot sustain the family business in long term. While non-family firms are trying to be sustainable in long-term, family business owners only focus on their wealth (Lutz and Schraml, 2012). Additionally, Swierczek and Onishi (2003) showed that Thai companies always develop short-term strategies. Instead of developing long-term plan, they usually attempt to reach their goals within one year. From the recent literatures, it can be concluded that family businesses typically have short business life cycle because of the implementation of short-term strategies (Lutz and Schraml, 2012; Banker, Mashruwala, and Tripathy, 2014).

There are some possible evidences for the intervening effect of short-term strategies on the relationship between organizational commitment and work performance. One study focuses on non-selective downsizing as a short-term strategy to increase profits (Bragger et al., 2014). The authors found that this practice, which selects employees without consideration for their performance but based on some other factors like seniority, has negative effects on both organizational commitment and job performance (Bragger et al., 2014). In fact, it may fully disrupt the relationship between the two (Bragger et al., 2014). There is also evidence that treating employees as short-term investments – for example, engaging in rapid hiring and firing – also results in weaker organizational commitment (Harris and Twomey, 2008). Specifically, these authors showed that employees that are treated as disposable or short-term assets by firms also show little loyalty or organizational commitment, and are very likely to turn over and avoid making significant organizational contributions (Harris and Twomey, 2008). Thus, there is some suggestion that short-term strategies may be detrimental to the relationship between organizational commitment and organizational performance. However, the evidences of the link between organizational commitment, short-term strategy, and organizational performance are generally weak. Hence, examination of this chain of relationships will be a contribution to the academic literature that will fill a continuing research gap.

The unique characteristic (short-term view company), which causes the disadvantage that inherited within the family business, showed that short-term strategies are implemented. The moderating effect of short-term strategy on the relationship between commitment and business performance should be therefore explored as the suggested proposition shown below.

Proposition 4: The relationship between commitment and business performance is weakened by the short-term strategy.

Conceptual framework

Figure 2 illustrated the relationship between five variables that have been discussed in the earlier section. The relationship linked all the variables studied by this research which are managerial trust, commitment, unfairness, short- term strategy, and business performance. Additionally, the four propositions are demonstrated together within the conceptual framework. There are two key relationships suggested within the proposed conceptual framework. First, the relationships between managerial trust, commitment, and business performance are proposed to be positive relationship. Second, the moderator effects of unfairness and short- term strategy which can lessen the business performance will be inspected.

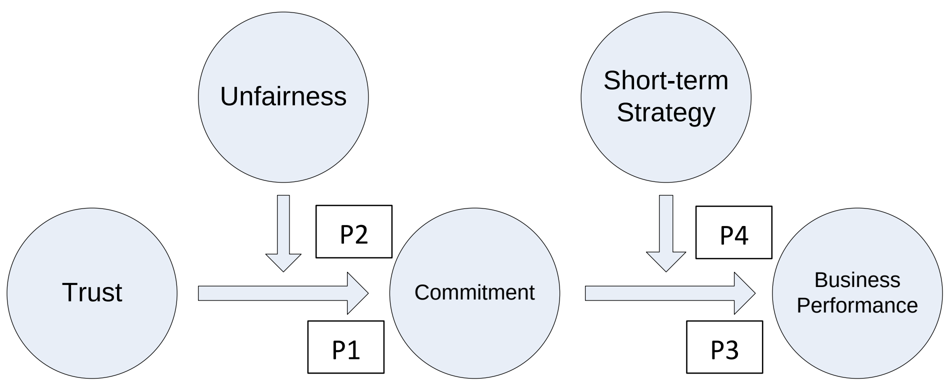

Figure 2 Conceptual framework of the research

Regarding the conceptual framework, the development of the measures of each construct are generated to examine all the variables. The next section consists of research design, method of data analysis, target population and sample size, and the measures of the five variables.

Research design

This empirical study is designed as the cross-sectional research because it consumes less time and cost than the longitudinal design. This research executes the quantitative approaches to generalize the findings. However, it also implements the qualitative techniques. Family business research needs to be conducted sensitively because it is the complex organization. Moreover, it is sensitive for respondents to fill in the questionnaire because some information are sensitive to answer. Researcher thus needs to carefully design the proper indicators and to understand each measure correctly. The semi-constructed interviews regarding the developed questionnaire allow the researcher to healthier comprehend the variables and measures before conducting the research. Moreover, the experts in family business will be asked to prove the validity of the developed measures. These qualitative techniques help the researcher to realize the validity of the measures whether they are valid to what they examine. The benefit of implementing the quantitative method together with the qualitative techniques avoids the researcher from his own judgement and misunderstanding. Although the qualitative approach can dig into the information of each variable, it cannot generalize the results widely. Therefore, exploitation of both methods benefits the researcher in terms of validity and generalization.

After the validity verification, informants will receive the questionnaire by post and/or e-mail which the addresses and contacts are provided by the Department of Business Development (DBD). Respondents are then asked to return the questionnaire to the researcher by post (prepaid envelop is provided) or e-mail. The postal survey is suitable for the research because it has the lower cost and researcher can reach the large samples. In addition, wording has the higher level of standardized than interviews which always has the interview bias. Internet survey may have lower cost and can reach more informants than postal survey; however, it is more problematic to get the response from the informants. Another alternative to conduct the research is the telephone survey. Although it is faster than postal survey, respondents usually do not have much patience to finish the survey. To sum up, the postal survey (and e-mail) seems to be the efficient method for this research. Furthermore, the research design is cautiously developed; consequently, the contribution of research findings will be qualified.

Methods of data analysis

Two computer programs which are SPSS and AMOS will be implemented to analysis the information after the returning of questionnaires from the respondents. The utilization of statistical methods such as descriptive statistics and multiple regressions will be used to analyze the data. Moreover, the reliability of the measures will be investigated by examination of the Cronbrach's alpha value (expected to be more than 0.8). After that, Structural Equation Modeling (SEM), which is a generally used in academic research (Hair *et al*., 2010), will be tested. The research uses the AMOS computer program for the consideration of the conceptual model. Since this research proposes the framework that consists of multiple relationships between the constructs and the multiple regressions cannot estimate these many relationships at once; accordingly, SEM is used for the research (Hair *et.al*., 2010).

Structural equation model (SEM) is famously used when the causal relation between the variables is being measured. SEM is used to evaluate the structural model and the hypotheses to see if the proposed conceptual framework fits the data and also specifies the structural relationships among the sets of latent variables (Byrne, 2001; Hair *et al.*, 2009). In this study, Structural equation modeling (SEM) is divided into measurement model part and structural model part. The measurement model represents the relationship between latent variables and observed variables, while the structural model represents the causal relationship between latent variables.

Target population and sample size

The target population of this research is attained by Department of Business Development (DBD). Then, these firms will be contacted by telephone calls to verify their address before the questionnaires are delivered. Nevertheless, the questionnaire will be sent by post and e-mail which usually has the difficulty with insufficient usable responses. In addition, the high-level executives rarely reply to mailed questionnaires. Consequently, the data collection of this research has been developed to cope with these difficulties which the survey administration will be discussed later.

Hair *et al.* (2010) suggested that large sample size is the good representative of the target population and leads to less sampling error. In addition, the estimation for the model fit of Structural equation modeling procedure is based on the assumption of a large sample size. The SEM simulation provides the valid and stable result with minimum sample sizes as 50. Moreover, the model that consists of more variables requires larger samples. Larger sample size leads to more information and greater stability of the results. Furthermore, the missing data must be taken into an account because it can reduce the usable information. Accordingly, the larger sample size can offset the problems of missing data. The target population of this research is able to be attained by Department of Business Development (DBD). Ernst and Young estimated the approximation about 80% of Thai companies are family businesses in 2014. The size of sampling in this study is therefore 400 companies enough to proceed in statistical procedure of SEM analysis. The size of sample group in this study was calculated by using Taro Yamane (Yamane, 1973) equation as follows:

$n = N / 1+N\ (e)\ 2$

where; n = sample size

Questionnaire pre-testing

The developed questionnaire will be examined its accuracy and validity by in-depth interviews before it is actually used in the field survey. The respondents of the interviews are similar to the target population. They are family business owners whom have been working in the family business more than 5 years. The semi-structured interviews will be conducted regarding the developed questionnaire. The aim of this qualitative technique is to revise and adjust the questionnaire. Therefore, the wording, layout, question sequencing, and adequacy of instructions will be amended to eliminate any confusion of the questionnaire completion.

Moreover, the questionnaire will be verified by the experts who are familiar with the objective of the research (Turner and Carlson, 2003). 3 experts in family business will be asked to check the validity of each measure by calculating Index of Item Objective Congruence (IOC). The IOC value is then calculated by IOC formula. The score is expected to be higher or equal to 0.5 which means that the validity and reliability of the questionnaire is acceptable. On the other hand, the measures which are invalid and unreliable need to be revised if the IOC score is lower than 0.5. The IOC formula is shown below;

IOC = Sum/N

where; Sum = the overall scores from the experts and N = the number of experts

After the measure adjustment, the reliability of five constructs will be investigated by the small sample of respondents. The pilot survey will be conducted by postal survey which the informants are 5% of the research samples. After the questionnaires are return, the reliability and validity will be tested. The expected Cronbach's alpha of each construct is 0.8 and higher. This survey benefits the research in terms of time and cost. Accordingly, the developed questionnaire will have the high reliability and validity to perform the empirical study.

Development of measurement items

The questionnaire, which is shown in Appendix, is cautiously developed regarding the literature reviews. There are five sets of questions to investigate the five constructs of the theoretical model. The technique of back translation is conducted after the questionnaire is generated to avoid the researcher from the incorrect information that respondents may misunderstand the questions developed by the researcher. The questionnaire is first developed in English language because the international journals are published in English language. Nonetheless, the respondents of this research are Thai; so, it is translated into Thai language which three native Thai academic researchers from Thai well-known universities are asked to check the translation accuracy. Next, three native Thai academic researchers whom are familiar with family businesses are asked to back-translated the questionnaire into the English language. Later, the back-translated version will be compared with the original version. Then, the measures are also revised their validity by the interviews with entrepreneurs and by the calculating Index of Item Objective Congruence (IOC) from experts in family business. Moreover, the reliability are checked by pilot test before they are used in the field survey. Finally, the developed questionnaire has the adequate validity and reliability for collecting the information from the research samples.

Results of the study

Questionnaire reliability using Cronbach's alpha

There were nine scales in the survey, including seven predictor scales (Integrity, Benevolence, Concern, Ability, Commitment, Unfairness, and Short-term Strategy) and two outcome scales (Objective Business Performance and Subjective Business Performance). Originally, these scales had between 6 and 24 items included, based on the underlying adapted instruments. Five scales – Ability, Commitment, Unfairness, Short-Term Strategy, and Objective Business Performance – did require adaptation due to an initially low Cronbach's alpha score. In order to make the adjustments, the researcher examined the inter-item correlations for each of the scales and used a stepwise approach to removing items, beginning with the lowest correlated items. Thus, the scales were all adjusted to have an appropriate level of internal consistency following this process. Table 1 shows the summary of Cronbach's alpha scores which includes both initial values and post-adjusted values.

Table 1 Cronbach's alpha scores summary

Scale (Original number of items)	Cronbach's alpha (α) Initial	Scale adjustment	Cronbach's alpha (α) Post-adjustment
Integrity (9)	0.941	None	
Benevolence (6)	0.850	None	
Concern (6)	0.826	None	
Ability (3)	0.556	Removal of 1 item	α = 0.810
Commitment (24)	0.458	Removal of 20 items	α = 0.850
Unfairness (12 items)	0.661	Removal of 8 items	α = 0.829
Short-term Strategy (15 items)	0.477	Removal of 10 items	α = 0.880
Objective Business Performance (8 items)	0.671	Removal of 4 items	α = 0.814
Subjective Business Performance (10 items)	0.888	None	

Questionnaire reliability and validity using CFA

Confirmatory factor analysis (CFA) was used to test questionnaire validity because it is a useful approach for analyzing discriminant and convergent validity of a scale or an instrument (Hair *et al.*, 2010). The general rules of thumb for acceptance of a model using CFA include: CR > 0.7 (indicating reliability); AVE > 0.5 (indicating convergent validity); and MSV < AVE and ASV < AVE (indicating discriminant validity) (Hair *et al*., 2010).

The outcomes of CFA, which are illustrated in Table 2, meet the level of acceptance and shown that model has the acceptable validity.

The CFA process resulted in the collapse of several of the scales into single factors (Figure 1). Based on this analysis, and including the Cronbach's alpha analysis explained above, the adjusted instrument was considered to be appropriately reliable and valid for the needs of the study.

Table 2 Summary of CFA outcomes and reliability and validity assessments

Factor	CR	AVE	MSV	ASV	Reliability	Convergent Validity	Discriminant Validity
Managerial Trust	0.824	0.583	0.053	0.017	✓	✓	✓
Commitment	0.854	0.597	0.071	0.026	✓	✓	✓
Unfairness	0.884	0.620	0.071	0.019	✓	✓	✓
Short-Term Strategy	0.937	0.600	0.018	0.007	✓	✓	✓
Business Performance	0.910	0.842	0.053	0.016	✓	✓	✓

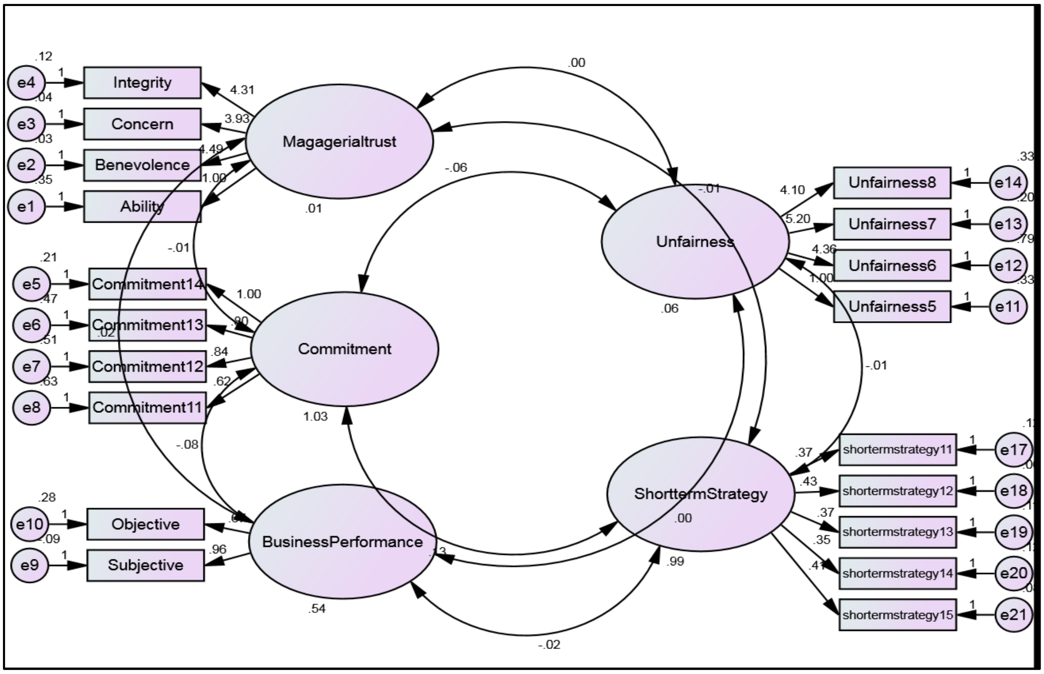

Figure 1 Confirmatory factor analysis model for the adjusted instrument

Respondent demographics and general information

The third category of preliminary analysis related to the demographic and firm information collected from respondents. This information was not used for the inferential tests, which are described below. However, it does provide information about what kinds of businesses are included in the survey. The demographics and general information are demonstrated in Table 3.

Table 3 Summary of firm characteristics

	Number (n=388)	Percentage
Type of business		
Agriculture and Food Industry	123	31.7
Industrial goods	62	16.0
Consumer products	57	14.7
Financial	15	3.9
Resource	21	5.4
Real Estate and Construction	31	8.0
Service	74	19.1
Technology	5	1.3
Number of Employees		
≥15	6	1.5
16-25	106	27.3
26-50	200	51.5
51-200	61	15.7
More than 200	15	3.9
Number of company found		
6-10 years	47	12.1
11-15 years	108	27.8
16-20 years	52	13.4
More than 20 years	181	46.6
Return on Sale (ROS)		
Less than 10 million baht	18	4.6
10-100 million baht	304	78.4
101-400 million baht	55	14.2
More than 400 million baht	11	2.8
Value of company asset		
Less than 30 million baht	198	51.0
31-50 million baht	104	26.8
51-200 million baht	79	20.4
More than 200 million baht	7	1.8

Descriptive results

Descriptive analysis was conducted for all items in each of the scales used for the study. In this section, the descriptive results are examined and discussed. For this analysis, all items are discussed, including those that were eliminated following the initial analysis. Results from the items that were removed from the scales following the Cronbach's alpha adjustment for internal consistency are marked with a star in the tables, since these items were not included in the SEM analysis (which is discussed in the following section).

Attitudes to managerial trust (integrity, benevolence, concern, and ability)

Four sub-scales of managerial trust were measured in the instrument, including integrity, benevolence, concern, and ability (Table 4). For the SEM analysis, these four sub-scales were combined into a single scale of Managerial Trust. The items addressed different aspects of managerial activity that contribute to managerial trust within a family firm. Only one item from these four sub-scales (Ability1) was eliminated from the Managerial Trust scale. This means that these scales were some of the most initially reliable within the study.

There were nine items included in the Integrity sub-scale. The means for these items ranged between M = 3.76 (SD = 0.683) and M = 4.17 (SD = 0.751). This is a relatively narrow window, all of which fell into the "Agree" level of attitude based on the questionnaire. This indicates that in general, the respondents viewed the general level of integrity in the organization as relatively high, but not extremely high.

The Benevolence sub-scale consisted of seven items. Once again, these items were relatively similar in terms of their score, with all items falling into the "Agree" attitude level. However, there was less of a spread in means between these items than in the Integrity subscale. The lowest scoring item was M = 3.92 (SD = 0.721). The highest scoring item for Benevolence was M = 4.18 (SD = 0.700). This is similar to the highest score of the Integrity scale. Thus, Integrity and Benevolence can be said to be generally consistent with each other.

The third sub-scale was Concern. There were six items in this scale. As with Integrity and Benevolence, all of the items were in the Agree attitudinal range of the scale. There was also a relatively low range of difference between items. The lowest scoring item was M = 3.89 (SD = 0.557). The highest scoring item was M = 4.05 (SD = 0.584). This is a slightly lower high mean compared to the other two sub-scales discussed so far. However, as it is only about 0.13 points lower than the highest scoring item in Benevolence, it probably is not very significant.

Finally, the Ability subscale had three items, although the first item was removed from the scales prior to the SEM analysis. Similar to the other three sub-scales in the Managerial Trust scale, this subscale fell into the "Agree" attitude, and had a small difference between means. The lowest scoring item was M = 4.03 (SD = 0.638), while the highest scoring item was M = 4.09 (SD = 0.722).

Table 4 Summary of descriptive statistics for managerial trust variables

Statements	Mean	S.D.	Level of Attitudes
Integrity			
Employee thinks that you concern about everyone's well being	4.00	.68388	Agree
Employee thinks that you focus on sincerity in the relationship	4.01	.73657	Agree
Employee thinks that you always fulfill the promises	3.99	.71159	Agree
Employee thinks that you have integrity	4.01	.72245	Agree
Employee thinks that you until today never let down	3.90	.62728	Agree
Employee thinks that you treat fairly	4.02	.61806	Agree
Employee thinks that you are sincere team leader	3.76	.68334	Agree
Employee thinks that you work consistent and understandable	4.17	.75073	Agree
Employee thinks that you have desire to protect others' interest	4.07	.54744	Agree
Benevolence			
Employee thinks that you take opinions into account	3.98	.58382	Agree
Employee thinks that you respect their work	4.03	.63438	Agree
Employee thinks that you have positive attitudes	3.99	.62864	Agree
Employee feel at ease when discuss problems and difficulties with	4.14	.59820	Agree
Employee thinks that you will try to help in the event that difficulties that should occur	4.18	.69952	Agree
Employee thinks that you are available to train them	3.92	.72133	Agree
Concern			
Employee thinks that you have no attempt to take advantage	4.05	.58418	Agree
Employee thinks that you are not fearful to be professionally impaired	3.89	.55739	Agree
Employee thinks that you can share personal feeling with	3.99	.55682	Agree
Employee thinks that you always concern their personal interests	3.97	.67366	Agree
Employee thinks that you follow the rules	3.96	.66539	Agree
Employee thinks that you can compromise professionally	4.02	.67970	Agree
Ability			
Employee thinks that you have good reputation*	4.09	.72219	Agree
Employee thinks that your abilities can be trust	4.03	.63821	Agree
Employee thinks that you are competent	4.08	.67759	Agree

*Item which is marked with * is not included in the SEM analysis because of the Cronbach's alpha adjustment.*

Attitudes to commitment

The second scale was attitudes to Commitment (Table 5). Commitment was measured using the three-component model of organizational commitment (Meyer and Allen, 1991). The three components include affective commitment (how the respondent feels about the organization), continuance commitment (what the respondent feels he or she must do in regard to the organization), and normative commitment (the respondent's general beliefs about continuance in the organization) (Meyer and Allen, 1991).

This scale initially had 24 items, all but four of the items were eliminated following the Cronbach's alpha analysis. The reason for this elimination can be seen in the scales, with attitudes ranging from Disagree to Agree Strongly. The lowest scoring item in this scale was M = 1.98 (SD = 0.909). At the same time, the highest scoring item was M = 4.10 (SD = 0.681). Overall, the items involved with affective commitment (items 25 to 32) were mostly scored as "Agree", with one item scored as "Neutral". The items involving continuance commitment (items 33 to 40) were also generally classed as "Agree" and "Neutral", though there was one "Disagree" item. The final class of items (items 41 to 48) was related to normative commitment. This was the lowest scoring class in general, with most items being identified as "Disagree", with one "Neutral" and three "Agree" items. Thus, it is reasonable to state that individuals showed most evidence of affective commitment and least evidence of normative commitment. The only items included in the scale following the adjustment for internal reliability were continuance commitment items (35 to 38). Of these items, the lowest scoring item was M = 3.26 (SD = 1.069). The highest scoring item was M = 3.92 (SD = 1.111). This suggests that the respondents do feel some level of continuance commitment toward the organization that is held in common.

Table 5 Summary of descriptive statistics for commitment variables

Statements	Mean	Standard Deviation	Level of Attitudes
I would be very happy to spend the rest of my career with this organization*	3.99	.66276	Agree
I enjoy discussing my organization with people outside it*	4.10	.68099	Agree
I really feel as if this organizations problems are my own*	4.09	.72785	Agree
I do not think I could become as attached to another organization as I am to this one*	4.08	.72133	Agree
I feel like part of the family at my organization*	3.89	.75304	Agree
I feel emotionally attached to this organization*	3.88	.81052	Agree
This organization has a great deal of personal meaning for me*	3.93	.73860	Agree
I feel a strong sense of belonging to my organization*	3.23	1.22003	Neutral
It would be hard for me to leave my organization right now, even if I wanted to*	2.37	1.16501	Disagree
My life would be disrupted if I decided I wanted to leave my organization now*	3.80	.96598	Agree
I am afraid of what might happen if I quit my job without having another one lined up	3.78	1.01601	Agree
It would be costly for me to leave my organization now	3.92	1.11198	Agree
Right now staying with my organization is a matter of necessity as much as desire	3.26	1.06897	Neutral
I feel that I have few options to consider leaving this organization	3.63	1.11373	Agree
One of the serious consequences of leaving this organization would be scarcity of available alternatives*	3.65	1.01160	Agree
One of the major reasons I continue to work for this organization is that leaving would require personal sacrifice-another organization may not match the overall benefits I have here*	2.98	1.00489	Neutral
I think that people these days move from organization to organization too often*	2.47	.88154	Disagree
I believe that a person must always be loyal to his/her organization*	2.97	1.03266	Neutral
Jumping from organization to organization seems unethical to me*	2.15	1.05081	Disagree
I believe that loyalty is important and therefore I feel a strong sense of moral obligation*	1.98	.90919	Disagree
If I got another offer for a better job elsewhere I would not feel it was right to leave my organization*	2.12	.72168	Disagree
I was taught to believe in the value of remaining loyal to one organization*	3.41	.99850	Agree
Things were better in the days when people stayed with one organization for most of their careers*	3.88	.61536	Agree
I think that wanting to be a company man or company woman is sensible*	3.96	.65394	Agree

*Item which is marked with * is not included in the SEM analysis because of the Cronbach's alpha adjustment.*

Attitudes to unfairness

The third scale considered in this analysis was the Unfairness (table 6). Unfairness related to aspects of organizational justice, including procedural and distributive justice, especially in regard to how the rules were applied to family members versus non-family members. The Unfairness scale initially included 12 items, although eight of these items (items 49 to 52 and 57 to 60) were eliminated following the Cronbach's alpha analysis. These items showed a wide range of attitudes and opinions expressed in the responses.

The lowest scoring item in the scale was M = 2.03 (SD = 0.725). The highest scoring item in contrast was M =4 .16 (SD = 0.690). However, both of these items were eliminated for internal consistency reasons. Of the remaining four items following the internal reliability adjustment, the lowest scoring item was M = 3.06 (SD = 1.325), interpreted as "Neutral". The highest scoring included item was M = 4.08 (SD = 0.621). The majority of responses regarding unfairness fell into the Neutral category, which suggests that the respondents were not on average to view their workplace as very fair or very unfair.

Table 6 Summary of descriptive statistics for unfairness variables

Statements	Mean	Standard Deviation	Level of Attitudes
Employees feel that they are treat unequally by the human resource policies*	4.02	.64280	Agree
Human resource policies leads to staffs' discouragement*	2.03	.72538	Disagree
The company is influenced by family members*	2.55	1.00111	Disagree
The influence of family members are not controlled well*	4.16	.68968	Agree
Family member staff have much more working time flexibility	4.08	.62124	Agree
Employees do not have enough flexible time to leave the company to do their personal activities	3.18	1.37155	Neutral
Seniority play more significant role than the staffs' performance for annual assessment	3.06	1.32520	Neutral
Staffs feel that they are assessed their annual performance unfairly	3.14	1.14110	Neutral
Staffs' performance is not strictly assessed by performance based assessment*	4.08	.58518	Agree
The top management team of family businesses constantly shows the lack of responsibility to their employees*	4.02	.66246	Agree
They always pass the problems to their subordinates*	3.92	.61532	Agree
Staffs always realize that they can lose their job*	4.01	.67812	Agree

*Item which is marked with * is not included in the SEM analysis because of the Cronbach's alpha adjustment.*

Attitudes to short-term strategies

The fourth predictor scale for this study was Short-Term Strategies (Table 7). This scale measured the extent to which the members of the organization were likely to take a short-term view or micromanage the organization. There were initially 15 items in this scale, of which 10 items were removed following internal consistency adjustment. The items that were removed included items 61 to 70, with items 71 to 75 remaining in the scale. Responses to items in this scale (considering all items) ranged across the full scale of possible attitudinal interpretations from Strongly Disagree to Strongly Agree. The lowest scoring item was M = 1.68 (SD = 0.469). This item both has a low mean and a lower than usual standard deviation, demonstrating that the firms represented in the study were highly unlikely to have a plan for three or more years of operation. The item that was mostly strongly identified upon was M = 4.57 (SD = 0.496). This also shows a relatively low standard deviation, indicating a high level of agreement that shared leadership needs to be taken into account for succession. This item was also included in the remaining items following adjustment. The lowest scoring item that remained following adjustment was M = 4.49 (SD = 0.500). Thus, all of the items remaining in the Short-Term Strategies scale were relatively highly scoring compared to those that were eliminated.

Table 7 Summary of descriptive statistics for short-term strategy variables

Statements	Mean	Standard Deviation	Level of Attitudes
The prior generations do not let their successors to solve problems by themselves*	3.94	.72894	Agree
The prior generations always influence the next generations' daily operation with noticing them*	1.79	.69078	Strongly disagree
Family companies' goal is to continuously expand their companies in sales and production*	2.12	.71126	Disagree
The company want to gain the positively economic advantage even if it has to take risk*	2.71	1.06881	Neutral
The companies always invest in new technologies*	4.03	.63029	Agree
The company has the lowest cost of production comparing with its competitors*	4.00	.62876	Agree
Companies that apply short-term strategy try to develop strategy to attain their goals within one year*	2.04	1.05705	Disagree
The company has the 3 years plan or more*	1.68	.46888	Strongly disagree
Family members intend to hold less share of the companies to increase long term competitiveness*	2.13	.69986	Disagree
The family wealth is always taken into an account when they do the business*	2.56	1.00097	Disagree
Family members have good relationship	4.49	.50054	Strongly agree

Supply of the business knowledge must be taught to successors by letting them to involve with companies when they are young	4.49	.50048	Strongly agree
Successors want to continue the family business	4.56	.49647	Strongly agree
Next generation has the competence and capability to run the business	4.53	.49984	Strongly agree
The shared leadership in family firm needs to be taken into an account when family business plans for succession	4.57	.49613	Strongly agree

*Item which is marked with * is not included in the SEM analysis because of the Cronbach's alpha adjustment.*

Attitudes to business performance (objective and subjective performance)

The outcome scale for this questionnaire was Business Performance (Table 8). Business Performance was split into two distinct categories, Objective Business Performance and Subjective Business Performance. Objective Business Performance was primarily concerned with financial performance of the firm, while Subjective Business Performance was concerned with qualitative aspects such as leadership, decision- making, teamwork and stress. The Objective and Subjective Performance scales had noticeably different performance in terms of their internal consistency, and thus are discussed separately.

The Objective Business Performance sub- scale initially had eight items, of which four were eliminated during the internal consistency adjustments. Items that were eliminated following Cronbach's alpha included items 76 to 78 and item 83. Overall, perceptions of objective business performance were strong, which all items falling into the Agree or Strongly Agree attitudinal categories. After the removal of items, the lowest remaining item was "Production growth increases" (M = 3.44, SD = 1.046), while the highest remaining item was "Return on assets (ROA) increases" (M = 4.23, SD = 0.419). Thus, there was a relatively high range of Objective Business Performance indicators.

The Subjective Business Performance sub-scale included ten items and none of the items were eliminated. The lowest scoring item was M = 3.44 (SD = 1.073), while the highest scoring item was M = 4.31 (SD = 0.480). However, this scale is noticeably different from others because it has two clusters of responses. Most of the responses (items 84 to 90) had a relatively narrow range from M = 3.44 to M = 3.66. Nevertheless, three items (91 through 93) had means above 4.00. The highest scoring item (company reputation) was noticeably higher than the other two items in this scale. This may not be surprising given that respondents are likely to have a positive view of their family businesses' reputations, but it is surprising that it was so much higher than the other subjective measures of performance.

Table 8 Summary of descriptive statistics for business performance variables

Statements	Mean	Standard Deviation	Level of Attitudes
Objective			
Sales growth increases*	4.33	.47171	Strongly agree
Market share increases*	4.18	.42338	Agree
Profit growth increases*	4.14	.39113	Agree
Return on assets (ROA) increases	4.23	.41931	Strongly agree
Return on investment (ROI) increases	3.54	1.00933	Agree
Production growth increases	3.44	1.04611	Agree
Growth in number of employees increases	3.48	.97883	Agree
Low turnover rate decreases*	2.82	1.11917	Neutral
Subjective			
Delivery on time	3.44	1.07294	Neutral
Quick response to customer's needs	3.49	1.02543	Agree
Quick response to difficult situation	3.50	1.01539	Agree
Quick response to customer's complaint	3.56	.95017	Agree
No complexity in your organizational structure	3.54	.94601	Agree
Procedures of the organization are clear	3.66	1.10489	Agree
There are no disagreements in your group frequently	3.54	1.04219	Agree
No Stress from work often influences personal life	4.05	.58174	Agree
Your family business has a good reputation	4.31	.48027	Strongly agree
Your family business can be sustainable	4.16	.37150	Agree

*Item which is marked with * is not included in the SEM analysis because of the Cronbach's alpha adjustment.*

Structural equation modeling (SEM) analysis

Goodness of fit of the model

Tests included chi-square statistic ($\chi 2$), Goodness-of-fit index (GFI), Adjusted Goodness-of-Fit Index (AGFI), Normal Fit Index (NFI), Incremental Fit Index (IFI), Comparative fit index (CFI), Root Mean square Residuals (RMR), and Root Mean Square Error of Approximation (RMSEA). These selections were based on standard practice for assessment of SEM model fit (Hair, *et al.*, 2009; Hu and Bentler, 1999; Shumacker and Lomax, 2010). The outcomes of the goodness of fit tests are summarized in Table 9, while the statistic values of Goodness of fit are illustrated in Table 10. The outcomes are mixed, with two indicators (AGFI and RMSEA) not meeting the established acceptance thresholds. However, due to reasons discussed below, it was determined that the outcomes are adequate to accept the default model.

Table 9 Summary of goodness of fit test outcomes

Goodness of fit index	Threshold for acceptance	Default model?	Independence model?
Chi-square	p ≤ 0.05		
CMIN/DF	≥ 0.90	Yes	Yes
GFI	≥ 0.90	Yes	No
AGFI	≥ 0.90	Marginal	No
NFI	≥ 0.90	Yes	No
IFI	≥ 0.90	Yes	No
CFI	≥ 0.90	Yes	No
RMR	< 0.05	Yes	No
RMSEA	< 0.05	No	No

Table 10 Outcome of Goodness of fit statistics for relevant items

Index	Default model	Saturated model	Independence model
CMIN/DF	2.155		22.893
RMR	0.036	0.000	0.216
GFI	0.923	1.000	0.456
AGFI	0.899		0.396
NFI	0.920	1.000	0.000
IFI	0.955	1.000	0.000
CFI	0.955	1.000	0.000
RMSEA	0.055		0.238

The first test was the CMIN/DF test. This test represents the ratio of CMIN to DF in the default and independence models. As the table shows, in both the default and independence models the minimum threshold of CMIN/DF ≥ 0.90 was met. Thus, from the CMIN/DF perspective the outcome was acceptable.

The next set of tests included RMR, GFI, and AGFI. The rule of thumb for acceptance for these tests was: RMR < 0.05, GFI ≥ 0.90, AGFI ≥ 0.90. In the default model, RMR and GFI met the criteria, while AGFI (0.899) was just on the threshold of acceptance. However, none of the criteria were adequate in the independence model. Thus, for this set of criteria, the default model was acceptable.

The next set of criteria included the baseline comparisons, including NFI, IFI, and CFI. For all three of these items, the acceptance threshold was set at ≥ 0.90 based on standard benchmarks (Hair, *et al.*, 2009). In the default model, all three of the factors were accepted, though they were not in the independence model.

RMSEA was the final criterion for goodness of fit. The threshold for this factor was RMSEA < 0.05. However, the actual outcome in the default model was RMSEA = 0.055, which did not pass the threshold test.

The goodness-of-fit tests have mixed outcomes. Most of the factors do indicate acceptance of the default model. There are two exceptions, including AGFI (which was marginally low at AGFI = 0.899) and RMSEA (marginally high at RMSEA = 0.055). Thus, there was a question as to whether to adjust the default model or to use the default model as stated. In order to make this decision, the researcher consulted the literature on each of the factors that did not meet the pre-established threshold. For RMSEA, which is a relative measure of fit, there are varying recommendations for acceptance. For example, Hu and Bentler (1999) actually recommend RMSEA ≤ 0.06 as the acceptance threshold. Thus, the model would pass the goodness of fit test based on this criterion. In regard to AGFI, other researchers recommend against using this as a standalone goodness-of-fit criterion because it is sensitive to sample size and factor loadings (Hooper, Coughlan and Mullen, 2008). Given this sensitivity and the relatively small sample size of this study, and the outcomes of the other goodness-of-fit indices, the researcher considered that the AGFI outcome was high enough to indicate adequate goodness of fit. Based on this analysis, the researcher determined that the default model had adequate goodness of fit for the research.

SEM model outcomes

As discussed above, the default model that was proposed in the research had an adequate fit to the data. Thus, the next task is to analyze the actual model outcomes. The SEM model shown in Figure 2. Table 11 summarizes the coefficients associated with each of the relationships and paths shown in the model. This table eliminates relationships associated with individual items, although multi-item sub-scales (Integrity, Concern, Benevolence, Ability, Objective Business Performance and Subjective Business Performance) are retained.

Discussion of the model can begin with Managerial Trust. The four dimensions of Managerial Trust (Integrity, Concern, Benevolence, and Ability) were found to have a significant effect. However, Integrity, Concern, and Benevolence have substantially higher effects on Managerial Trust than Ability. Managerial Trust was found to have a moderately negative effect on both Unfairness and Commitment. Managerial Trust -> Unfairness relationship was expected, since it is commonsense to believe that individuals will perceive more unfairness if they do not trust their manager. However, the negative relationship between Managerial Trust and Commitment is surprising. One explanation is that the only items remaining in the Commitment scale following Cronbach's alpha adjustment were continuance commitment items. These items reflect an economic or other requirement to remain with the firm, which often becomes more dominant if employees are unsatisfied (Meyer and Allen, 1991). Thus, this is not inconsistent with what was actually measured.

The second relationship that can be identified is a negative relationship between Unfairness and Commitment. This relationship is consistent with expectations, since it is expected that employees with a higher view of organizational unfairness would also have a lower level of commitment.

Commitment had a positive relationship to Short- Term Strategy and a negative relationship to Business Performance. Once again, it should be considered that the Commitment scale had only continuance commitment items included. Furthermore, the majority of items included in the " Short- term strategy" scale were those that were more oriented toward longer- term strategy such as succession planning. Thus, it is potentially not surprising that this relationship existed. The same reasons hold for the relationship between commitment and business performance. Short- term business strategy had a mildly negative relationship to business performance.

However, this effect is very small compared to other effects. The ultimate outcome variable of the model was Business Performance. As expected, both Objective and Subjective business performance were related to the overall Business Performance variable, with Objective business performance having a somewhat larger effect than Subjective business performance. As previously noted, Commitment and Short- Term Strategy were the main factors that had a direct relationship to Business Performance. However, Unfairness and Managerial Trust both have an indirect relationship to Business Performance, moderated by Commitment. Thus, all of the factors in the model had either a direct or indirect relationship to Business outcomes.

Table 11 Summary of coefficients within the model

Factor	**Coefficient**
Managerial Trust	
Managerial Trust -> Integrity	4.31
Managerial Trust -> Concern	3.94
Managerial Trust -> Benevolence	4.49
Managerial Trust -> Ability	1.00
Managerial Trust -> Unfairness	-0.17
Managerial Trust -> Commitment	-0.79
Unfairness	
Unfairness -> Commitment	-1.15
Commitment	
Commitment -> Short-Term Strategy	0.14
Commitment -> Business Performance	-0.16
Short-Term Strategy	
Short-Term Strategy -> Business Performance	-0.06
Business Performance	
Business Performance -> Objective	0.66
Business Performance -> Subjective	0.48

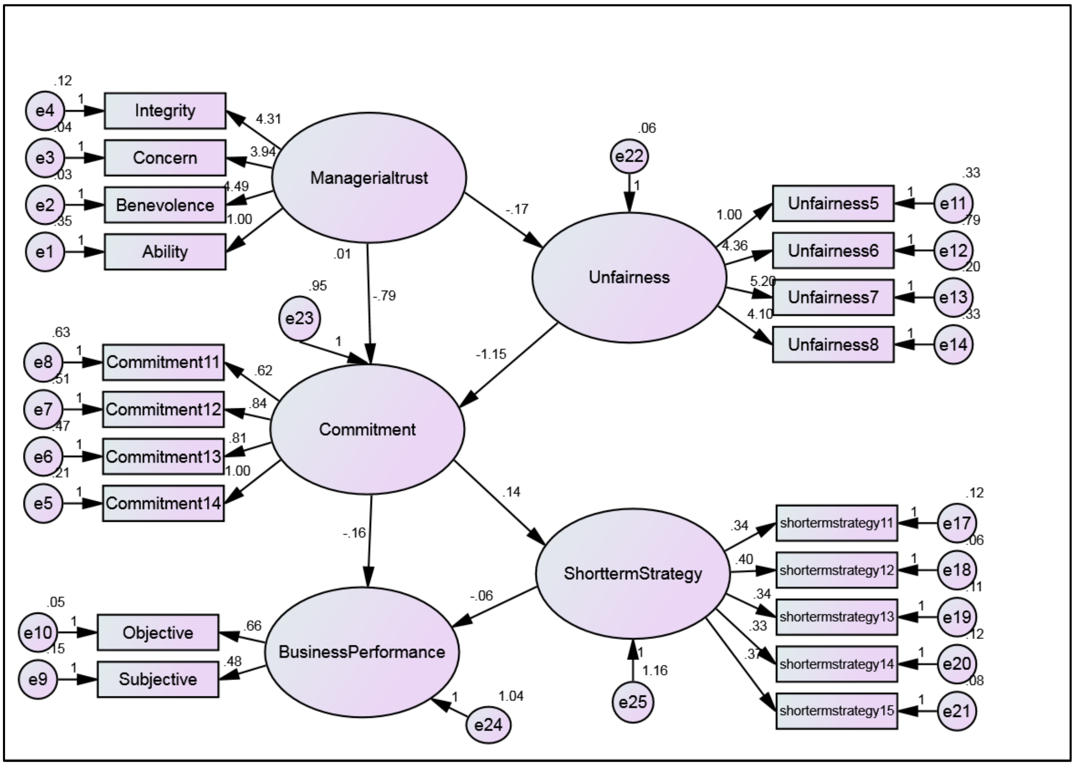

Figure 2 Structural equation model (SEM)

Discussion

There were four propositions for this research. These propositions are summarized in Table 12, along with their outcomes.

Table 12 Outcome of research prepositions

Proposition	Statement	Outcome
1	A higher level of managerial trust leads to a higher level of commitment.	Not accepted
2	The relationship between trust and commitment is moderated by unfairness.	Accepted
3	A higher level of owner’s commitment leads to higher business performance.	Not accepted
4	The relationship between commitment and business performance is weakened by short-term strategy.	Accepted

Proposition 1: Managerial trust and commitment

The first proposition stated that there would be a positive relationship between managerial trust (incorporating integrity, concern, benevolence, and ability) and commitment. However, the actual relationship that was found was a moderately strong negative effect of managerial trust on commitment (-0.79). This raises the question of why this negative effect was found.

There was evidence for the relationship between managerial trust and commitment in the literature. For example, several studies have found that managerial practices such as managerial style and endowment have a positive effect on the employee's commitment (Janssen, 2004; Luthans, 1998). Employees have also been shown to have a higher level of commitment in situations where management is trusted to be ethical (Hunt, *et al.*, 1989; Kelly and Dorsch, 1991; Zhou, 2014). Thus, it was expected that commitment would be positively related to managerial trust.

An answer for the reason why managerial trust was not positively related to commitment can be found in the literature on commitment. Organizational commitment is commonly modeled as a three-component structure, including affective, normative, and continuance component (Meyer and Allen, 1997). These are commonly referred to as what employees *want* to do, what they feel they *should* do, and what they feel they *must* do (Meyer and Allen, 1991). While all of these dimensions do reflect an intention to stay with the firm, they have different origins and influences. In fact, a common critique of the three-component model is that continuance commitment is a *negative* commitment – that is, the employee cannot find any better reason to stay with the organization other than the cost of changing organizations such as difficulty finding a job or lost pay (Solinger, Van Olffen and Roe, 2008). At the same time, normative and affective commitments are positive components, offering positive reasons to stay with the organization (Solinger, *et al.*, 2008). However, the only items that remained after adjustment were those related to continuance commitment. Thus, the present study effectively only measured relationships to continuance commitment. This was problematic because multiple studies have shown that normative commitment has different antecedents and outcomes than other forms of commitment (Chang, Chi and Miao, 2007; Park and Rainey, 2007; Solinger, Van Olffen and Roe, 2008). In retrospect, using a multi- component scale for commitment, designed using the same approach as the Managerial Trust factor, may have been more appropriate to capture the relationship of Managerial Trust on the individual's commitment levels.

Proposition 2: Trust, commitment and unfairness

The second proposition of the research was that unfairness would have a moderating effect in the relationship between trust and commitment. This proposition can be accepted, as shown by the model; the relationship between Managerial Trust and Unfairness and Unfairness and Commitment was higher than that between Managerial Trust and

Commitment (-0.79). Thus, perceptions of unfairness are likely to lessen Commitment even in cases where Managerial Trust was at the same level. A review of the literature demonstrates some of the reasons for this relationship. It also provides some insight into how this relationship could affect the performance of the small business.

Several studies have supported that there would be a moderating effect of unfairness, or negative perceptions of organizational justice. For example, unfairness in human resource policies, management, and leadership style can affect organizational commitment and other factors (Swierczek and Onishi, 2003). A further study has shown that fairness in compensation affects organizational commitment (Moriarty, 2014). There are some individual factors such as personality types and moral orientations that do influence how much the perception of unfairness in the management activities affect organizational commitment (Falk and Fox, 2014). It can also discourage employees, making employees feel they are being discriminated against (Maley, 2011; Swierczek and Oishi, 2003). The findings of this study are consistent with the literature and the expected relationships.

This finding is particularly important in terms of its implications for the family business. One of the particular weaknesses of the family business is that it is prone to perceptions of unfairness because of the role and special privileges of the family members in the organization (Collins and O' Regan, 2011). Human resource policies may often prioritize the interests of family members, for example by promoting family members over other employees or offering preferential treatment (Srivastava and Dhar, 2016). Family members may be hired even though they are not qualified for their role (Lutz and Schraml, 2012). Furthermore, non-family members may face stricter working conditions such as less flexible working hours (Beham and Drobnic, 2010). This unfairness can be introduced through the management style of family firms (Efferin and Hartono, 2015). For example, leaders of family firms may blame subordinates when the firm encounters difficulties, even if they control decision making (Lussier and Sonfield, 2006). Family businesses, especially older family businesses with multiple generations, may be highly complex and there may be different units and control structures that are treated differently (Lutz and Schraml, 2012). Thus, there are myriad ways in which the family firm can be perceived as unfair by non-family members, even if it is not deliberately structured to be unfair.

The literature review also suggests that there are ways that family firms can avoid unfairness perceptions and thus reduce the possible impact on organizational commitment and other factors. For example, firms can use professional leadership and train family members professionally, rather than promoting due to family membership (Zachary, 2011). Family members should also be subjected to the same human resources policies as non-family members (Venninga, 2002). The firm should also take succession planning seriously, making sure that *either* family members are appropriately trained as professional managers *or* the management of the firm transitions to a professional manager (De Massis, Chua and Chrisman, 2008). Family firms can also structure spin-off firms in order to effectively plan succession and manage conflicts between family members, which will reduce the level of conflict and perceived unfairness (Au et al., 2013). Thus, there are many ways that the family firm can be structured that will reduce perceptions of unfairness in the family firm. In conclusion, the finding in this literature does provide a useful addition to the literature.

Proposition 3: Commitment and business performance

The third proposition stated that there would be a positive relationship between commitment and business performance. The literature generally supported a positive relationship between organizational commitment and business performance (Zhou, 2014; Parayitam and Dooley, 2007). In fact, these studies suggested that the organizational commitment of employees and owners was one of the major competitive advantages that small firms hold. Other studies have also shown a positive relationship. For example, one study showed that corporate ethics contributed to high levels of organizational commitment, which in turn was associated with improved financial performance (Chun et al., 2013). Another study also showed that organizational culture was associated with organizational commitment, which again affected organizational financial performance (Awadh and Alyahya, 2013). A study from Turkey also supported the importance of organizational commitment on the firm's performance in a developing country context (Demirbag et al., 2014). This study demonstrated that high-performance work practices (HPWS) have a positive effect on organizational commitment and organizational performance (Demirbag, *et al.*, 2014). Thus, there was ample evidence for the positive relationship between organizational commitment and organizational performance. However, this was not supported empirically. As with Proposition 1, there was actually a small negative relationship found between the two factors. Given the level of support for the positive relationship in the literature review, it is likely that the same instrumentation problem that is implicated for Proposition 1 also caused the same error in Proposition 3.

There are a number of studies that specifically point to differential effects on business performance between continuance commitment and normative and/or affective commitment. For example, one study found that while affective commitment was positively associated to innovative behavior in retail employees and managers, continuance commitment was negatively associated with the same behaviors (Jafri, 2010). Continuance commitment may actually be associated with negative conditions in the organization, which create feelings that the only reason to stay with the organization is the cost of leaving (Conway and Monks, 2009). Thus, high continuance commitment can actually be indicative of poor conditions in the firm, not positive ones. Thus, it is not surprising that the current study's findings are different from the general trend of a positive relationship between organizational commitment and business performance, since the only one dimension of commitment was included.

Despite the findings of this study, the literature strongly supports the importance of organizational commitment for organizational performance, both specifically in the case of family businesses and generally in the organization. Not least, organizational commitment is well known to reduce employee turnover, which is important for cost reduction and skill retention (Avey et al., 2011). Furthermore, organizational practices that contribute to organizational commitment, such as HPWS, can increase the firm's technical capabilities and performance by helping it to attract highly qualified and skilled employees (Demirbag, *et al.*, 2014). Thus, even though this study did not explicitly identify organizational commitment as a positive factor (instead demonstrating a weak negative effect on business performance), this should still be a concern for the firm to make sure that it can ensure organizational commitment for its employees. There are a number of ways that the firm could do so. As discussed above, the firm could help to promote perceptions of fairness within the firm. The firm could also promote and enforce an ethical code that is congruent with the ethical norms of its organizational members, to help ensure firm employees feel the firm is ethically consistent (Chun, *et al.*, 2013) and make sure that the organizational culture is positive and welcoming (Awadh and Alyahya, 2013). Taking these actions can help ensure that the organization can generate high levels of organizational commitment in its employees and leaders.

Proposition 4: Commitment, business performance, and short-term strategy

The final proposition argued that short-term strategy would be a moderating factor in the relationship between commitment and business performance. As examination of the SEM structure shows, this does appear to be the case, with the sum of relationship between commitment and short-term strategy and short-term strategy and business performance (-0.22) being somewhat higher than the direct relationship between commitment and business performance (-0.16). This effect is relatively small, but it still demonstrates that the perception of short-term strategy for the firm is likely to exacerbate the negative relationship between commitment and business performance. However, as stated above, it is uncertain that the same relationship would be found for a true three-component model of organizational commitment.

Short-term strategy is another of the particular problems of family businesses, somewhat paradoxically since the family business is often founded and passed over a longer period of time than non-family businesses. For example, there is some considerable evidence that family businesses are more likely to focus on short-term strategies and short-term performance needs compared to non-family businesses (Braun, *et al.*, 2016; Lutz and Schraml, 2012; Sabourin, 2015). These authors have explained that the family business may achieve better results in the short term than non-family businesses. However, it may also compromise the long-term market performance and activity of the family firm (Lutz and Schraml, 2012; Banker, *et al.*, 2014). A historical study of Thai firms has shown that short-term planning is common in the study context (Swierczek and Onishi, 2003). Thus, short-term planning is a common practice in family businesses, including Thai businesses.

The family firm also has unique challenges for long-term planning compared to non-family firms. One of these challenges is succession planning, which is uniquely complicated in family firms because of the preference for family members and the internal relationships and conflicts that can affect succession choices (Bizri, 2016; Duh, 2014; Elsaid and Ursel, 2011; Hamilton, 2011; Laakkonen and Kansikas, 2011; Maciel, *et al.*, 2015). Among other complexities is the fact that succession planning in the family organization is more of a process than a single event; the planned successors of the firm must be appropriately trained and kept within the organization, and support of key family members must be achieved (Maciel, *et al.*, 2015). Thus, unlike in non-family firms, this can take up to 10 to 20 years or even longer (Cater and Justis, 2010; Joshi and Srivastava, 2014). Later generations of the family firm tend to be more effective at this planning process, while first generation family firms are often not as effective (Laakkonen and Kansikas, 2011). Thus, succession planning is one of the very long-term planning concerns the firm needs to consider.

In summary, this research did support the negative effect of short-term planning in the relationship between organizational commitment and the firm's performance. As the literature review explains, this can be particularly problematic for family firms because despite their long-term orientation they tend to plan for the short term. The family firm also faces some special challenges in terms of long-term planning, such as a long horizon for succession planning to make sure that family members are properly trained and experienced. This suggests that family firms need to make an extra effort to make sure that long-term strategic concerns as well as short-term performance remains a priority for the firm.

Conclusions and recommendations

Conclusion

This research began with a single research question: *How do unfairness and short-term strategy affect the business performance of Thai family companies?* In order to explore the research question, a theoretical model and four propositions were derived from the literature on family business management. The researcher then conducted a survey of Thai family firms (n = 388). These firms came from a wide range of industries, though the most dominant were agriculture, management, and industrial goods. Most of the companies were older than 20 years, but still relatively small, with most having between 16 and 50 employees. They also had relatively low levels of sales and assets, meaning that most firms could be classified as small firms based on the definition from the Office of Small and Medium Enterprises.

The first proposition of the research stated that there would be a positive relationship between managerial trust and organizational commitment of the respondents. This proposition was based on the literature review, which suggested that aspects of managerial trust such as perceptions of integrity, benevolence, concern, and ability on the part of organization managers would have a positive effect on organizational commitment. However, the empirical evidence did not support this relationship, instead finding a moderate negative relationship between managerial trust and organizational commitment. This was contrary to the expected findings, but the researcher does not believe it is due to peculiarity of Thai family businesses, but rather to an instrumentation error that excluded all items except continuance commitment items from the commitment questionnaire. Since continuance commitment is actually associated with negative organizational conditions (the employee cannot find a better reason to leave the organization), it is unsurprising that this error would be negative.

The second proposition argued that unfairness would have a moderating effect in the relationship between managerial trust and organizational commitment. This was supported by the literature review, which pointed out that unfairness is particularly a problem for family firms because of differential treatment of family members and non-family members. This proposition was upheld, with an increase in the negative relationship when taking unfairness into account.

The third proposition stated a direct positive relationship between organizational commitment of the firm owners or managers and business performance. The literature review supported this relationship, arguing that organizational commitment was a significant competitive advantage for small firms and was absolutely critical for family firms, whose principal owners and managers must devote significant personal resources to the organization. However, as with the first proposition, this finding was not upheld. Instead, there was a weak negative relationship between organizational commitment and performance. The reasons for this are the same as the first preposition.

The final proposition argued that short-term strategies would have a moderating effect between organizational commitment and business performance. The literature review suggested that short- term strategies were a particular problem of family firms, with the exception of succession planning, and that it could affect organizational performance. This proposition was upheld, with a much higher negative relationship when this factor was taken into account.

In conclusion, it is clear that managerial trust, organizational commitment of leaders, perceptions of unfairness, and short- term strategies do have a relationship to the performance of family firms in Thailand. In response to the research question, the answer is that unfairness and short-term strategies have a negative effect.

Research Implications

There are two different types of research implications of this study. The first is practical implications for Thai family firms. The second is academic implications from the novel findings of this research.

The most important findings for Thai family firms relate to the role of unfairness and short-term strategy in reducing the effect of organizational commitment. Family firms, especially small family firms and younger firms, depend on organizational commitment of employees and family members in order to survive. In fact, this is one of the main sustainable competitive advantages of the family firm. However, this research showed that conditions that are commonplace for family firms can erode organizational commitment and weaken its influence on the firm's performance. For example, unfairness, especially as relates to treatment of family employees versus non-family employees, had a negative impact on the relationship between managerial trust and organizational commitment. Short-term strategies had a similar negative impact on the relationship between organizational commitment and the firm's performance. The most important recommendation based on this finding is that the family firm *must* go out of its way to implement fair organizational policies and apply them equally to family and non-family members, and to focus on long-term rather than short-term strategies, in order to ensure organizational commitment and firm performance.

This study also has implications for the academic literature, since it did have some novel findings. One of these findings was inadvertent, but is still useful. Specifically, it demonstrated that continuance commitment does have a negative relationship to perceptions of managerial trust and also to firm performance. This upholds the arguments of some authors who have stated continuance commitment to have a fundamentally different relationship to the organization than affective or normative commitment (Solinger, *et al.*, 2008). Thus, there are grounds to examine further whether family firms that display a high level of continuance commitment, but low levels of other forms of commitment, actually have managerial problems and issues. This was not actually the case in this study, since the descriptive results did identify moderately high affective commitment. However, it is still a finding of interest, especially given that continuance commitment is rarely studied on its own. Another novel finding relates to the effect of unfairness and short-term strategy on the firm's performance. These findings are interesting because they are characteristics peculiar to family businesses, and both were found to have negative effects.

Research limitations

This empirical study has been conducted carefully. The related literatures are reviewed cautiously to support the studied variables and their relationships. Additionally, the research methodology has been developed with the awareness of the researcher's own judgment. Nevertheless, there are some limitations of the research.

The biggest limitation in this study is the inadvertent exclusion of affective and normative commitment items from the Commitment scale, which limits the study's model of organizational commitment to only continuance commitment. As discussed earlier, this is a significant limitation because continuance commitment has different characteristics than other forms of commitment, and high levels of continuance commitment are associated with problematic organizations, rather than those that attain high organizational commitment overall. This does *not* imply that the firms in the study overall had low levels of other forms of commitment – in fact, the descriptive statistics indicate that levels of affective commitment were moderately high (though normative commitment was lower). Instead, it is an artifact of the study design that did not become clear until the results were analyzed.

There are also some other limitations. One of these limitations is related to the perception of management trust scale, which reflects the leader's perception of how much their employees trust them rather than the employee's actual trust perceptions. While this does not invalidate the results of the study, it is important to be clear which perspective is being identified to avoid misunderstandings and errors.

Some additional limitations are placed by the study design. The study was cross-sectional, meaning that results only reflect the time of data collection. The study also does not reflect conditions of small business outside Thailand, which could be significantly different. These limitations do not change the usefulness of the study, but should be kept in mind when generalizing.

Recommendations for future research

There are some recommendations from future research that can be made from aspects of this research that could not be fully explored because they fell outside the scope of the study32, or which emerged from gaps in the literature. One of these recommendations for future research is more examination of the organizational commitment dynamic in the later generations of family firms. One of the clear differences between the founding generation and future generations of the family firm is that while the founding generation *must* show high organizational commitment in order for the firm to survive, the later generations may have lower levels of organizational commitment and still continue to support the organization. A better understanding of how and why lowered organizational commitment occurs and how it affects the organization in later generations would be helpful in explaining the impact of organizational commitment on the firm. Another opportunity for future research lies in the use of short-term strategies in the family firm. The literature is somewhat contradictory on this point, indicating that on the one hand the operational strategies of the firm are short-term and on the other hand the firm may spend as much as 10 to 20 years in succession planning. This suggests that there are different strategic levels under consideration. However, there has been relatively little research into why short-term operational strategies are in use by family firms, and whether these operational strategies may vary by generation. Instead, most of the research in this area is relatively superficial, comparing their use to non-family firms or simply remarking on their existence. This calls for a better explanation of how and why short-term strategies emerge in family firms, and what it means for the family firm in terms of survival and growth.

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