

## **Impact of Family Influence on Top Management Team in Family Businesses: A Path-Analytic Study on Automotive Parts Industry in Turkey**

**M. Dudarođlu, M. Atilla Öner, Özgür Önday**  
Yeditepe University Dept. of Business Administration

### **Abstract**

This paper examines the relationships among family influence, behavioral integration of the top management team, professionalization and succession planning of the top management team, market dynamism and firm performance. Thus, this study also examines variation in family and non-family executives' perceptions of research variables. The purpose of this study is to investigate the market dynamics in family firms operating in the automotive parts supplier industry in Turkey. To explore the impacts of family influence on the behavioral integration of top management team, succession planning of top management team, professionalization of top management team, and firm performance are the investigated aim variables of this study. Furthermore, the study also tests the impact of market dynamism on research variables.

## 1. INTRODUCTION

Family firms born or made through time (Chua et al., 2004). The results in the US among small businesses suggest that: (1) most family firms are born as family firms with a high degree of family involvement and transgenerational succession; (2) a significant number of family firms started as non-family firms and evolved into family firms over time as family involvement increased; and (3) there is a tendency for the extent of family involvement to diminish gradually in the long run and perhaps even decline.

Although there is diversity of family businesses, researchers have largely agreed that the family business is distinctive from others because of the combination of the three dimensions: family, management, and ownership (Astrachan, Klein and Smyrnios, 2002). Poza (2007) further highlight that certain characteristics, and describe the family business as a unique synthesis of four key dimensions: (1) family involvement; (2) overlap between family, management and ownership; (3) the competitive advantage and (4) the owner's dream to build a family legacy.

Throughout history, family businesses have been the unsurpassed organizational form (Poza, 2007). Even nowadays, multinational corporations, many of the largest organizations either originated or are still operated as family businesses (Hoy and Sharma, 2009). Many businesses that are now publicly held started out as family businesses. Poza's (2007) book classifies a family business as one in which familymembers control more than 15% of ownership. Family firms have long been recognized as being an important governance structure of business organizations in both developed and developing economies, substantial impacting the development of national economies. Family-owned and family-controlled firms account for approximately 90% of all incorporated businesses in the United States. Family members are often involved in the operations of their family business in some capacity. In fact, in smaller companies mostly one or more family members are the senior officers and/or general managers. Many businesses that are now publicly held started out as family businesses. Family-owned businesses appear in many different forms from small proprietorships to large corporations (Gersick et al., 1997). As in the case of large corporations, small family entities are widespread all around the world.

Motorola, Cargill, Wal-Mart, and Ford Motor Corporation can be given as an examples of successful family businesses in the United States.

Family firms play important roles in supporting economic development with their extended business and employment opportunities. One-third of the Standard & Poor's (S&P) 500 companies in the United States had founding families involved in management, and were usually the best performers (Weber et al., 2003). In Turkey, the contribution of family businesses to the Turkish economy resembles that of the developed European countries and the United States. Small and Medium-Sized Enterprises (SMEs) have the biggest role given their 98.5% share in Turkey (KOSGEB, 2003; Yılmaz, 2004) and the majority of those firms are family-owned. There are a few large organizations such as Koç, Sabancı and Eczacıbaşı in Turkey known as successful family holdings which are listed on the Istanbul Stock Exchange. However, Turgut and Dicle (2004) reported that there were 33 successful family firms on the IMKB-100 in which family members held 44% of the seats on the governing boards.

In Turkey, the automotive sector has functioned as a locomotive industry in the economy because many sectors are related to it. The automotive industry is made up of two sectors: firstly, the main automotive sector and secondly the supplier industry. The automotive sector uses inputs such as steel, sheet iron, plastic, chemistry, glass and electrical pieces. Thus the automotive sector is one of the key driving sectors of the economy in all industrialized nations and developing countries like Turkey. The leading companies that manufacture vehicles are from the United States, the countries that are members of European Union and the countries in Central and Far Asia. The main automotive companies need numerous parts and components. There are different procedures in the procurement of these parts. There are procedures that are widely used by basic mega suppliers. These mega suppliers move to the production regions of the main automotive manufacturers. The ownership structure of some of these companies are %100 foreign. Some of the other companies are formed as joint ventures and they make investments.

The main automotive firms, have moved their production to the countries where the cost is lower and the conditions are suitable in order to adopt to the global competition. Thus, the manufacturing processes have been moved to Eastern European countries, Turkey and

Asian countries. Turkey has been connected increasingly to the worlds' automotive market since 1990. The manufacturing of the famous models of the well-known companies have been encouraged. Legal provisions have been made to encourage these processes.

As the automotive industry develops, the supplier industry also develops. The automotive parts manufacturing industry (i.e., automotive supplier industry) in Turkey is the target research field for this study since the majority of the firms are family owned and operated (TAYSAD, 2007).

There is no generally accepted definition the literature (Handler, 1989; Astrachan et al., 2002). Many studies have addressed the definitional problems and focused on different standpoints. The main discussion on family business definitions covers the pattern of ownership, management and succession dimensions. No clear standards have been established on how much ownership or management possession is required to qualify as a family firm (Chua et al., 1999). Scholars argue that ownership, management, and potential succession do not constitute sufficient conditions to differentiate family from non-family firms (cited in Chua et al., 2004). However, it is known that family members hold the whole or the majority of the firm's assets as well as serve as the firm's CEOs or fill other top management positions (Lee, 2006a).

Some scholars refer to the complex interactions of dual systems: the family system and the business system as the major determinants that differentiate family businesses from non-family businesses (e.g., Stafford et al., 1999; Aldrich and Cliff, 2003; Chrisman et al., 2003). Based on a review of 217 refereed articles; Sharma (2004) reported that no set of distinct variables used by scholars have yet been successful in distinguishing between family and non-family firms. The only criterion that receives general consensus is that *a business owned and run by a nuclear family (e.g. founder, spouse, and children) is a family business* (Chua et al., 1999). According to Astrachan et al. (2002), shortcomings in family business research are partially attributed to definitional problems. The scholars proposed an integrative tool as a solution to the definitional problem: The F-PEC (Family-Power, Experience, and Culture), which provides a scale of family influence including power, experience, and culture as definitional variables.

As outlined above, it has frequently been suggested that the family and the business system are incompatible, due to their different objectives. The combination of these two systems has been shown to create conflict due to factors such as a lack of professionalisation (Stewart and Hitt, 2012), individual rent-seeking (Hollander and Elman, 1988) or operational inefficiencies (Kaye, 1991). However, Carlock and Ward (2001) suggest that despite the differing needs of the family and the business system, there is a reciprocal relationship when both systems are considered to an equal extent. These authors argue that an overemphasis on the business side may erode family communications, family identification, family loyalty, family time, and family emotions. Conversely, overemphasising the family side may be unfavourable with regards to business communications, business relations, performance appraisals, decision-making and strategic options. Gersick and colleagues (1997) argue that holding the balance between the two dynamic entities of family and business is a challenging task in family businesses (see also Poza, 2007). Overemphasising any one of the three dimensions of family, management, and ownership can lead to higher levels of conflict, and even to the termination or sale of the business or to irreconcilable conflict between family members (Gersick et al., 1997). Sundaramurthy and Kreiner (2008) highlight that a high level of integration between the business and family identity of an individual may lead to strong commitment and fast decision-making, which may be attributed to the higher degree of 'familiness' of the organisational members. However, an overly strong integration between the entities can lead to psychological difficulties in separating the roles for some family members (see also Stafford, Duncan, Dane and Winter, 1999). Also, Tagiuri and Davis (1996) highlight that individuals within the family and the business often face competing requirements from the simultaneous fulfilment of several roles, which may result in identity conflict due to the difficulty in adjusting to the expectations towards a role (e.g. father or CEO). However, if a family is able to develop a family-business meta-identity this may be a source of competitive advantage due to the ability to cope with identity conflict more effectively, leading to reduced levels of conflict (Shepherd and Haynie, 2009).

The controlling families' influence on shaping TMT's (top management team) structure, level of behavioral integration, managerial succession and level of professionalization is inevitable. Nevertheless, the extended family's influence is dubious. While some researchers argue that TMTs have little impact on organizational success, the evolving

view from contemporary research indicates otherwise (Finkelstein and Hambrick, 1990). There have been a few empirical studies reporting to test the relationships between the TMT and a firm's performance (Hambrick and D'Aveni, 1992; Michel and Hambrick, 1992; Haleblan and Finkelstein, 1993) in the early literature, but the findings were contradictory. There are not very many studies on TMTs in family firms, either. Recently this topic has attracted the attention of scholars in the family research field (Ensley and Pearson, 2005; Nordqvist, 2005). Existing studies are quite new and scant. However, no empirical study has investigated TMT's characteristics and dynamics in family firms operating in the automotive industry in Turkey. Thus, no comparative study measuring the role of family and non-family members of TMTs on strategic decisions is available.

If family businesses in Turkey are important, it is necessary to provide the field with more knowledge and better tools to tackle the challenges in the current highly competitive business environment. However, family firms operating in the automotive industry should have proper strategies along with proper structures to turn threats into opportunities to overcome the challenges in their dynamic environment. There are no comparative studies measuring the perceptions of family members and non-family executives of market dynamics.

The purpose of this study is to investigate the dynamics in family firms operating in the automotive parts supplier industry in Turkey. To explore the impacts of family influence on the behavioral integration of TMT, succession planning of TMT, professionalization of TMT, and firm performance are the aims of this study. Furthermore, the study also tests the impact of market dynamism on research variables.

This study contributes to the practical and theoretical field of family business research in several ways by drawing from three research fields: family business continuity, upper echelon, and strategic management. The study incorporates the F-PEC Model for conceptualizing and operationalizing the level of family influence or "families" on the business through power, experience, and culture as definitional variables. In doing so, it further tests the validity and reliability of F-PEC in Turkey TMTs have not been examined thoroughly in the family business literature. This study at least partially closes this gap and explores the level of integration in family-influenced teams and their effects. It is expected

that these family firms will eventually face TMT succession problems. Most of the research on succession has covered such topics as CEO turnover, successor selection, internal or external succession, and successor and predecessor fit. These topics all focus on succession at the individual level. This study is conducted at the organizational level, investigating the relationships between TMT succession planning and organizational variables.

This study hopes to guide family firms by increasing the awareness of the need to make succession plans as well as of the importance of top management teams' behavioral integration in family firms. Moreover, it also enhances understanding of the role of market dynamism in the relationships between research variables.

## **2. Literature Review and Hypotheses**

### **2.1. Family Business**

In the extant literature, there is no consensus on family business definitions. The nature of the challenge to define the family business stems from its multidimensional characteristic. Therefore, it is difficult to pinpoint any one characteristic so common that both practitioners and academics can agree on it. Ownership distribution or control, intergenerational transfer, family involvement in management, and degree of family influence vary (Lansberg, 1999; Davis, 2001; Chrisman et al., 2002) as the size and type of the firm range from small shops to large family businesses. Family businesses are not simple entities but rather consist of a wide range of complex and conflicting issues (Birley, Ng, Godfrey, 1999). Scholars have focused on various aspects of family businesses to distinguish them from other organizations, but there is a lack of agreement on the criteria to use to define a family business (Handler, 1989; Davis, 2001; Astrachan et al., 2002; Astrachan and Shanker, 2003). The only criterion that scholars truly agree on is that *a business owned and run by a nuclear family (e.g. founder, spouse, and children) is a family business* (Chua et al., 1999). Scholars are divided because they view family businesses from different facets. Handler (1989) classified family businesses in four categories based on various standpoints appearing in the literature: ownership-management, family involvement, generational transfer, and multiple conditions, shown in Table 1. However,

Handler (1989, p. 262) distinguishes family businesses from other organizations according to three dimensions: “ownership structure, family involvement, generational transfer” and defines as “*family business is an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board.*”

Table 1: Alternative Definitions of Family Business (Handler, 1989)

<b>OWNERSHIP – MANAGEMENT</b>	
Barry (1975)	“An enterprise, which, in practice, is controlled by the members of a single family” (p.42).
Barnes and Hershon (1976)	“Controlling ownership (is) rested in the hands of an individual or of the members of a single family” (p.106).
Alcorn (1982)	“A profit-making concern that is a proprietorship, a partnership, or a corporation... If part of the stock is publicly owned, the family must also operate the business” (p.23).
Stern (1986)	“(A business) owned and run by members of one or two families” (p. XXI).
Dyer (1986)	“A family firm is an organization in which decisions regarding its ownership or management are influenced by a relationship to a family (families)” (p. XIV).
Lansberg, Perrow and Rogolsky	“A business in which the members of a family have legal control over ownership” (p.2).
<b>INTERDEPENDENT SUBSYSTEMS (FAMILY INVOLVEMENT IN THE BUSINESS)</b>	
Beckhard and Dyer (1983b)	“The subsystems in the family firm system... Include (1) the business as an entity, (2) the family as an entity, (3) the founder as an entity, and (4) such linking organizations as the board of directors” (p.6).
Davis (1983)	“It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness” (p.52).
Ward (1987)	“(A business) that will be passed on for the family’s next generation to manage and control” (p. 252).
<b>MULTIPLE CONDITIONS</b>	
Donnelley (1964)	“A company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interest and objectives of the family” (p.94).
Rosenblatt, de Mik, Anderson and Johnson (1989)	“any business in which the majority ownership or control lies within a single family in which two or more family members are or at some time were directly involved in the business” (pp. 4-5).

## 2.2. Family Influence

Family influence appears as a distinct feature distinguishing family firms from others (Sharma et al., 1997). Various studies have reported on the role of family influence on the strategic direction taken by the firm (e.g., Davis and Tagiuri, 1989; Handler, 1989; Shanker and Astrachan, 1996; Sharma et al., 1997; Ibrahim et al., 2004). Family influence on the decision-making and operations differentiates the family business from other profit organizations (Chrisman et al., 2003; cited in Klein et al., 2005). Family influence stems



from a distribution of power (Finkelstein, 1992) subject to trans-generational growth (Gersick et al., 1997) and can be exercised via decision-making through ownership, governance, and management involvement (Klein, 2000; Astrachan et al., 2002). Accordingly, the following hypothesis have been developed.

**Hypothesis 29:** There is a significant positive impact of Market Dynamism on

- a. Power,
- b. Number of generations active in the business,
- c. Attitude and value

of Family Influence.

### **2.2.1. The F-PEC Scale**

A measurement tool: The F-PEC (Family-Power, Experience, and Culture), “an index of family influence,” (Uhlener, 2005, p. 42) measures the family influences through power, experience, and culture subscales (Astrachan et al., 2002). The subscales are offered to identify levels of a family influence on a continuous scale as well as to differentiate family businesses from others. An empirical test study of the F-PEC scale was conducted by Klein, Astrachan, and Smyrnios in 2002 using a random sample of 10,000 company CEOs from the German Hoppenstedt databank through the application of exploratory and confirmatory factor analysis techniques. Klein et al. (2005) reported the test result and concluded that “the scale demonstrates high levels of reliability.” The F-PEC constructs are offered to identify levels of a family influence on a continuous scale as well as to differentiate family businesses from others. Each dimension holds various components as the source of influence shown in Figure 2.

Constituents of Power, Experience, and Culture subscales were examined by Uhlener (2005). The Power subscale has three elements: the first is based on family ownership, the second is family governance (for large firms, based on a board of directors), and the third is family participation in management. The Experience subscale includes the generation involvement in business as owner, manager, board member, and number of contributing family members. The Culture subscale includes the family business commitment and the overlap between family and business values.

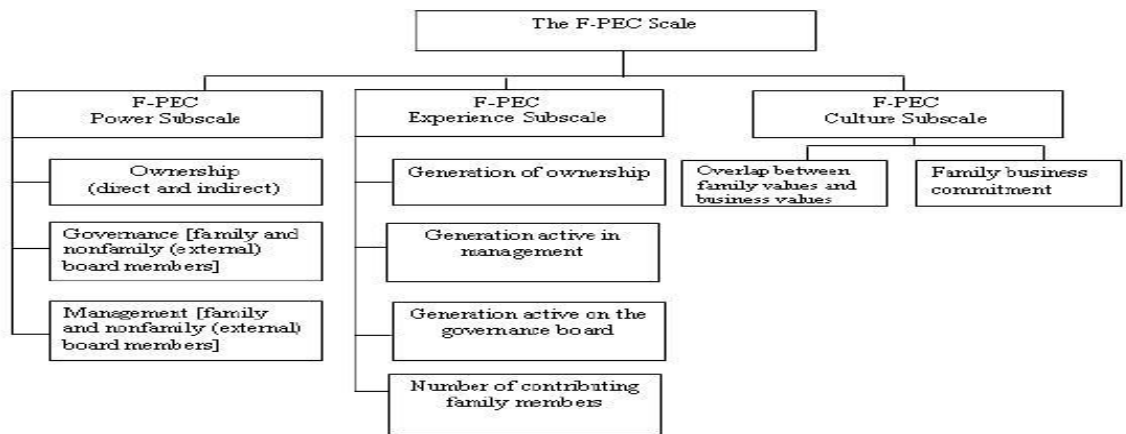


Figure 2: The F-PEC Scale (Astrachan et al., 2002)

### 2.3. Top Management Team (TMT)

Top Management Team (TMT) The upper echelons domain generally consists of two powerful top groups. TMT is the first group, composed of a chief executive officer (CEO) and his/her subordinates who report directly to the CEO, i.e., the Chief Operating Officer (COO) or the Chief Financial Officer (CFO) etc., (Hambrick, 1994). The second group is the Board of Directors (BOD), composed of a CEO and internal and external directors. These upper echelon groups form the "dominant coalition" of the firm (Cyert and March, 1963; cited in Hambrick and Mason, 1984). The Top management team (TMT), composed of senior level executives who report to the CEO, influences the strategic direction of an organization (Hambrick and Mason, 1984; Hambrick, 1994). Smith et al., (1994) stated that the TMT was the most influential group in organizations, controlling their direction and performance outcomes. Vancil (1987; cited in Hambrick, 1994) suggested that the top five executives who were also on the BOD should be considered as TMT. Hambrick (1995) and Finkelstein and Hambrick (1996) included a relatively small group of the most influential executives at the top, generally the CEO and those who report directly to him or her; this group is typically 3 to 10 managers in size. However, who should be included in the TMT has not been mutually agreed upon yet. Another method, which is applicable for the present study, is to ask CEOs to identify who they consider to be members of the TMT (Smith et al., 1994; Hambrick, 1995). This method is a much more reliable and useful method due to the fact that the CEO can identify the team members upon whom he/she relies. Thus, any classification to describe the TMT should correspond to the research questions that guide a particular investigation.

Accordingly, the following hypotheses have been developed.

**Hypothesis 1:** There is a significant positive impact of Power-based Family Influence on  
a. Information Exchange,

b. Collaborative Behavior,

c. Joint Decision Making

in TMT.

**Hypothesis 2:** There is a significant negative impact of the number of generations active in the business on

a. Information Exchange,

b. Collaborative Behavior,

c. Joint Decision Making

in TMT.

**Hypothesis 3:** There is a significant positive impact of attitude and value-based Family Influence on

a. Information Exchange,

b. Collaborative Behavior,

c. Joint Decision Making

in TMT.

#### **2.4. TMT Behavioral Integration**

In an attempt to solve top managers' fragmentation and strengthen the "team" properties, the concept of "behavioral integration" was introduced by Hambrick (1994). Behavioral integration is defined as "the degree to which the groups engage in mutual and collective action" (Hambrick, 1994, p.171). The author linked behavioral integration to organizational outcomes through interviews and case studies conducted in 1995 (Simsek et al., 2005). Furthermore, Hambrick observed that many top managers operate as semiautonomous "barons" instead of as a team (Hambrick, 2007). Hambrick (2007) argued that behavioral integration is the level of TMT engagements in mutual and collective interaction. He conceptualized behavioral integration as a meta-construct intended to hold three interrelated elements of TMT process, including a team's (1) degree of collaborative behavior, (2) open and continuous exchange of high-quality of information, and (3) emphasis on joint decision-making (Simsek et al., 2005).

Behaviorally integrated TMTs exhibit a high degree of teamness that means the group engages in mutual and collective interactions i.e., share information, resources, and decisions. TMTs that have less behavioral integration may cause to failure whereas TMTs that have high behavioral integration may create high-performance organization (Nordqvist, 2005; Carmeli and Schaubroeck, 2006). The prior research findings of interpersonal consensus among TMT members and business performance relations were mixed. Some studies found strong support between interpersonal consensus among TMT members and business performance, others found opposite effect or no effect at all (Homburg et al., 1999). Accordingly, the following hypothesis have been developed.

**Hypothesis 30:** There is a significant positive impact of Market Dynamism on  
a. Information Exchange,  
b. Collaborative Behavior,  
c. Joint Decision Making  
of TMT Behavioral Integration.

## **2.5. TMT Professionalization**

Family businesses are often run by business owners or family members. In many cases, management responsibility is partly or even fully transferred to non-family executives. A non-family manager/executive is defined as “a person who is neither a blood relative nor related to the owning family by marriage or adoption” (Schultzendorff, 1984; cited in Klein and Bell, 2007, p. 20). The professionalization of a family business management is defined as “succession of management from family members to non-family professional managers” (Chittoor and Das 2007, p. 67). Transition to professional management for family firms is an ongoing debate among scholars and practitioners. The success of a growing family firm relies on sensitive relationship with the key non-family executives (Aronoff and Ward, 1995). As the family business grows transition to professional management should occur (Chua et al., 2003). Accordingly, the following hypotheses are developed.

**Hypothesis 4:** There is a significant positive impact of Power-based Family Influence on TMT Professionalization.

**Hypothesis 5:** There is a significant positive impact of the number of generations active in the business on TMT Professionalization.

**Hypothesis 6:** There is a significant positive impact of attitude and value-based Family Influence on TMT Professionalization.

**Hypothesis 16:** There is a significant positive impact of Information Sharing-based TMT Behavioral Integration on TMT Professionalization.

**Hypothesis 17:** There is a significant positive impact of Collaborative Behavior-based TMT Behavioral Integration on TMT Professionalization.

**Hypothesis 18:** There is a significant positive impact of Joint Decision Making-based TMT Behavioral Integration on TMT Professionalization.

**Hypothesis 26:** There is a significant positive impact of Strategic Goals-based TMT Succession Planning on TMT Professionalization of the firm.

**Hypothesis 27:** There is a significant positive impact of Corporate Values-based TMT Succession Planning on TMT Professionalization of the firm.

**Hypothesis 28:** There is a positive impact of Leadership & Competency Development-based TMT Succession Planning on TMT Professionalization of the firm.

## 2.6. TMT Succession Planning

TMT in family firms may consist of family and non-family executives depending on composition of the top management. TMT succession planning affects family executives as well as non-family executives. Two types of succession appear in family business literature: Ownership succession and executive succession. Ownership succession is simply defined as the transition of family business leadership and ownership from one generation to the next, which is aimed at ensuring the continuity of the business through the generations (Aranoff et al., 2003). Due to a poor succession planning in family businesses, the transition from one generation to another is a difficult process that often causes failure (Handler and Kram, 1988).

Table 2: Alternative Definitions of Succession Planning

Gomez-Mejia, Balkin and Cardy (2001)	"is essential to have key positions of an organization always filled with right candidates without discontinuity"
Dessler (2003)	"the process of ensuring a suitable supply of successors for current and future senior or key jobs"
Sambrook (2005)	"an attempt to plan for the right number and quality of managers and key-skilled employees to cover retirements, death, serious illness or promotion, and any new positions which may be created in future organization plans"
Rothwell (2005, p.14)	"a vehicle for anticipating talent needs stemming from corporate strategy and can be viewed as a way to scan external environmental conditions and to match the organization's internal talent to the demands created by those conditions"

Succession planning in family firms is generally ignored not only by founders, but also by family and other stakeholders due to a feeling of ambivalence toward succession (Lansberg, 1988). Lansberg (1999) summarizes the major pitfalls that prevent succession planning in family firms:

1. Egomania and reluctance to delegate of founding entrepreneurs,
2. Old rivalries,
3. Political infighting that may divide branches of extended family,
4. Family “toys and hobbies” that deplete companies of the cash needed to stay afloat,
5. Unconscious resistance of aging leaders against stepping aside.

Accordingly, the following hypotheses are developed.

**Hypothesis 7:** There is a significant positive impact of Power-based Family Influence on  
a. Strategic Goals,  
b. Corporate Values,  
c. Leadership & Competency Development  
in TMT Succession Planning.

**Hypothesis 8:** There is a significant positive impact of the number of generations active in the business on  
a. Strategic Goals,  
b. Corporate Values,  
c. Leadership & Competency Development  
in TMT Succession Planning.

**Hypothesis 9:** There is a significant positive impact of attitude and value-based Family Influence on  
a. Strategic Goals,  
b. Corporate Values,  
c. Leadership & Competency Development  
in TMT Succession Planning.

**Hypothesis 13:** There is a significant positive impact of Information Sharing-based TMT Behavioral Integration on  
a. Strategic Goals,  
b. Corporate Values,  
c. Leadership & Competency Development  
in TMT Succession Planning.

**Hypothesis 14:** There is a significant positive relationship between Collaborative Behavior-based TMT Behavioral Integration on  
a. Strategic Goals,  
b. Corporate Values,

c. Leadership & Competency Development  
in TMT Succession Planning.

**Hypothesis 15:** There is a significant positive relationship between Joint Decision Making-based TMT Behavioral Integration on

- a. Strategic Goals,
- b. Corporate Values,
- c. Leadership & Competency Development  
in TMT Succession Planning.

## **2.7. Market Dynamism**

Dynamism can be explained as the combination of instability and uncertainty (Tagerden et al., 2003). Dynamism refers to the rate of change, absence of pattern and unpredictability of the environment (Dess and Beard, 1984; cited in Priem et al., 1995). Gunasekaran (1999) stated that in the 21st century, companies would have to overcome the challenges of demanding customers looking for high quality, cheap products, responsive to their rapidly changing needs. Firms must respond very quickly to changes in the market in order to be competitive (Sharma et al., 2004). Extant literature explores environmental influences on organizational strategies, structures, processes, and outcomes (Gilley et al., 2004).

Technological advances in information transfer and telecommunications constitute one of the main sources of uncertainty in existing environments (Prastacos et al., 2002). New technological developments create an environment where information and communication flows take place almost immediately. The speed of information flow leads product life cycles short, patents to protect new technology invalidate quickly, new products develop faster and adapt more quickly for each customer (Hitt et al., 1998). Another important source of dynamism in present environments is market globalization. Globalization does not only affect multinational firms, but also local companies. However, global market conditions generate more opportunities, threats and challenges for organizations. According to D'Souza and Williams (2000), the pressure of global competition will continue to increase in the twenty-first century. Organizations have to learn to coordinate activities across national borders, to assume that customers' preferences and demands differ between countries, to understand that it is more difficult to identify and analyze competitors and that the evaluation of organizational performance is more complicated (Hitt et al., 1998).

Dynamism is also the result of actions carried out by certain existing firms in competitive environments. Degree of uncertainty and the degree of munificence/hostility reflect the environmental characteristics (Elbanna and Child, 2007). Frequent discontinuities in the market conditions affect firms' competitiveness negatively (Hitt et al., 1998). Volatile market conditions are partly contingent to change in customer demand (Simon et al., 2002). Dynamism is the result of multiple events (Milliken, 1990; Jaworski and Kohli, 1993; Sutcliffe and Zaheer, 1998). First, it is a consequence of a set of primary uncertainties, referring to exogenous variables, such as changing customer preferences or the appearance of new technologies. Furthermore, the level of dynamism is determined by the existence of competitive uncertainties. Organizations need to pay attention not only to strategies implemented by existing competitors that can rapidly provide substitutes or technologically advanced products, but also to the actions of new participants in the market, relationships with subcontractors, suppliers and distributors, etc.

## **2.8. Firm Performance**

Firm performance is a difficult concept, both in terms of definition and measurement. Performance is central to the study of business strategy or policies. Researchers consider organizational performance as an important parameter when investigating organizational structure, strategy, and planning (Dess and Robinson, 1984). Performance, "*refers to efficiencies in terms of utilization of resources as well as the accomplishment of organizational goals*" (Steers, 1982; cited in Dyer, 2006, p. 259).

Three major approaches are used to measure organizational performance in the literature: the goal approach (Etzioni, 1964; cited in Dess and Robinson, 1984), the system resource approach (Yuchtman and Seashore, 1967; cited in Dess and Robinson, 1984), and the constituency approach (Thompson, 1967; cited in Dess and Robinson, 1984). The goal approach measures the performance by the explicit goals such as profit and sales growth. The system resource approach measures the performance in terms of the key internal and external factors upon which the firm depends for survival. The constituency approach measures the performance as the degree of fulfillment of constituent needs (Dess and Robinson, 1984). The success of a firm is contingent upon multiple determinants. Type of an industry, competitive intensity, technological shift, degree of flexibility, changing customer demands in domestic and in international markets make the evaluation of firm



performance more complicated (Hitt et al., 1998). However, in the literature, researchers disagree on what creates effective performance of a firm and how to measure performance. Firm performance is a multidimensional construct which can be measured by many different tools. Ruekert et al. (1985; cited in Homburg et al., 1999) conceptualized performance in three dimensions as effectiveness, efficiency and adaptiveness. Effectiveness considers the degree to which the goals are reached. Efficiency focuses on the relationship between outputs and the inputs required to reach those outputs. Adaptiveness reflects the ability of the organization to adapt to environmental changes. Efficiency is associated with profitability; effectiveness is associated with achieving nonfinancial goals, and adaptiveness is associated with adaptation to changes (Homburg et al., 1999). Hart (1992; cited in Tegarden et al., 2003) classified the dimensions of a firm performance as financial, operational, and organizational. Financial performance includes return on investment, return on sales, return on equity, earnings per share, and sales growth. Operational performance includes new product development and marketing effectiveness. Organizational performance reflects broad organizational outcomes and capabilities such as employee satisfaction and organizational focus on quality or adaptability (Tegarden et al., 2003).

Accordingly, the following hypotheses are developed.

**Hypothesis 10:** There is a significant positive impact of Power-based Family Influence on

- a. Market,
- b. Production,
- c. New Product Development & Engineering,
- d. Financial

performance in the family firm.

**Hypothesis 11:** There is a significant positive impact of the number of generations active in the business on

- a. Market,
- b. Production,
- c. New Product Development & Engineering,
- d. Financial

performance in the family firm.

**Hypothesis 12:** There is a significant positive impact of attitude and value-based Family Influence on

- a. Market,
- b. Production,
- c. New Product Development & Engineering,
- d. Financial

performance in the family firm.

**Hypothesis 19:** There is a significant positive impact of Information Sharing-based TMT Behavioral Integration on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance in the family firm.

**Hypothesis 20:** There is a significant positive impact of Collaborative Behavior-based TMT Behavioral Integration on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance in the family firm.

**Hypothesis 21:** There is a significant positive impact of Joint Decision Making-based TMT Behavioral Integration on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance in the family firm.

**Hypothesis 22:** There is a significant positive impact of TMT Professionalization on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance in the family firm.

**Hypothesis 23:** There is a significant positive impact of Strategic Goals-based TMT Succession Planning on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance of the firm.

**Hypothesis 24:** There is a significant positive impact of Corporate Values-based TMT Succession Planning on

- a. Market,
- b. Production,
- c. New Product Development & Engineering,
- d. Financial

performance of the firm.

**Hypothesis 25:** There is a positive impact of Leadership & Competency Development-based TMT Succession Planning on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance of the firm.

**Hypothesis 31:** There is a significant positive impact of Market Dynamism on

- a. Market,
  - b. Production,
  - c. New Product Development & Engineering,
  - d. Financial
- performance of the firm.

According to the conceptual definitions; aforementioned studies of research variables and hypotheses, the conceptual model of the research is proposed as;

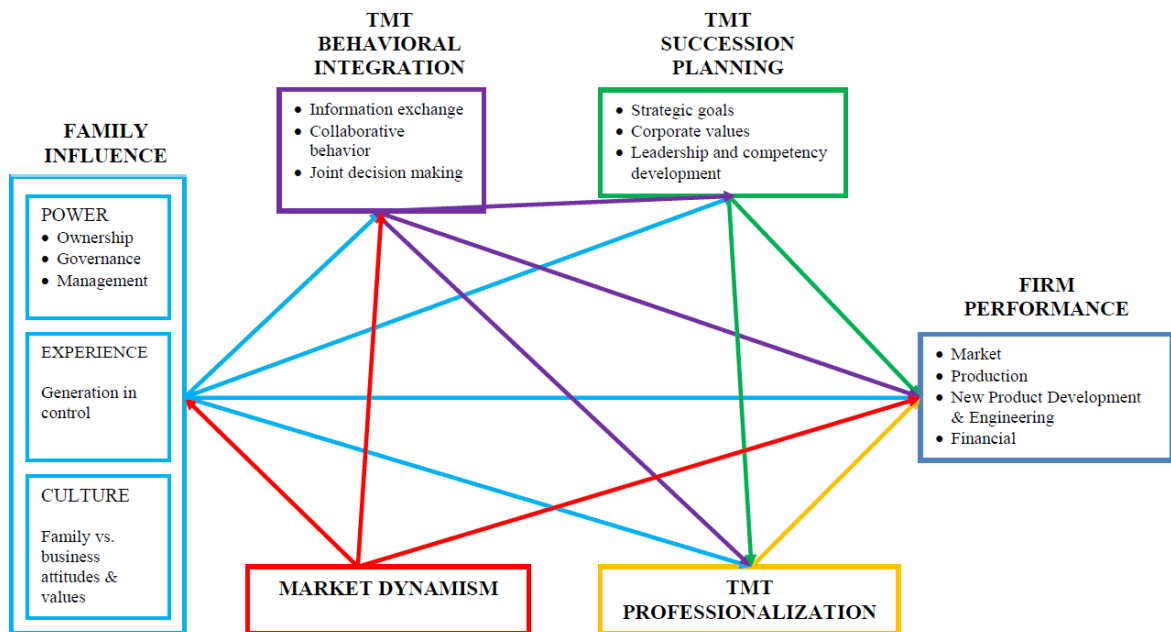


Figure 1: Proposed conceptual model

### 3. Data and Variables

#### 3.1 Data Collection

In this study, there were 557 data sets collected from 172 surveyed family firms belonging to the automotive parts supplier manufacturing industry. 32 questionnaires from 8 firms had missing data, so they were ignored. Target groups under the survey design were active family members and family and non-family TMT members. After face-to-face interviews, 280 questionnaires were received from active family members and 245 questionnaires were received from non-family TMT members, for a total of 525 questionnaires from 164 firms.

The hypotheses were tested using surveyed data collected from 280 family executives and 245 non-family executives in 164 automotive supplier family firms located in 9 cities in Turkey. The Structural Equation Model (SEM) technique was used to test the empirical model. Confirmatory factor analyses and structural path analyses were conducted to test the relationships between construct variables through AMOS 7.0. Basic and complex descriptive statistics, t-test and ANOVA analyses, were employed through SPSS 16.0 to analyze the data. This research makes contributions both to theory and practice. First of all, it aims to increase the level of knowledge in the family business research field because it draws from 3 research fields: family business continuity, upper echelon theory, and succession planning. Secondly, it hopes to provide a framework within which owners can determine in which areas improvement is needed in their firms in terms of top management team behavioral integration, succession planning and professionalization.

### **3.2 Instrument Development**

One academician, Assistant Director of University Research Center and four company executives (CEO, Marketing Director, HR Director, and Vice President) reviewed the questionnaire intensively; their comments were incorporated into the final questionnaire design.

### **3.3 Measures**

Family influence, TMT Behavioral Integration, TMT Professionalization, TMT Succession Planning, Firm Performance, and Market Dynamism are key variables included in this study. A multiple-item method was used to construct the questionnaires except for power and experience. Each item was based on a six-point Likert scale. The six-point Likert scale was used in this study to avoid a mid-point, which prevents respondents from using a

neutral default options. A self-reported item was used to obtain respondents' comments on the professionalization of their firm. The questionnaires were written in Turkish. Research constructs were operationalized on the basis of related studies and pilot tests.

#### **4. Results**

##### **4.1 Overall Fit of the Measurement Model**

An absolute-fit index directly assesses how well an *a priori* model reproduces the sample data (Rick, 1995). The fit index consists of several statistics, including chi-square, the non-centrality parameter (NCP), the goodness-of-fit index (GFI), the standardized root mean square residual (RMSR), and the root mean square error of approximation (RMSEA).

The overall fit of the measurement model in this study was assessed by three types of measures: absolute goodness-of-fit measures, incremental fit measures, and parsimonious fit measures. The results of these measures are presented in Table 91. One type of measure of absolute goodness of fit is the likelihood ratio chi-square statistics. For the overall model in this study, the chi-square ( $\chi^2$ ) value is 5.125 with 1.753 degrees of freedom and a probability of less than .0001 ( $p < .0001$ ), which suggests that the fit of the data to the hypothesized model is not entirely adequate. This statistic, nevertheless, indicates support for believing that the differences between the predicted and actual matrices are not significant, indicative of an acceptable fit. One of the first fit statistics to address the problem was the  $\chi^2$ /degrees of freedom ratio (Wheaton, Muthén, Alwin, and Summers, 1977).  $\chi^2$ /degrees of freedom ratio less than 3 suggests a well-fitted model. For the overall model in this study, the  $\chi^2$  /degree of freedom ratio is 2.923, indicating the model is well fitted.

Another measure of absolute goodness of fit is the root mean square residual (RMR), which represents the average residual value derived from fitting the variance-covariance matrix for a hypothesized model,  $\Sigma(\theta)$ , to the variance-covariance matrix of the sample data. The standardized RMR represents the average value across all standardized residuals, and ranges from 0 to 1.00; in a well-fitting model this value will be small, say, .05 or less. In this study, the RMR value of the overall model is .02, which is acceptable. Yet another absolute fit statistic is the root mean square error of approximation (RMSEA) which has been recognized as one of the most informative criteria in covariance structure modeling. The RMSEA takes into account the error of approximation in the population and asks the

question, “How well would the model, with unknown but optimally chosen parameter values, fit the population covariance matrix if it were available?” (Browne and Cudeck, 1993, pp. 137-138). Any discrepancy, as measured by the RMSEA, is expressed per degree of freedom, thus making the index sensitive to the number of estimated parameters in the model. Values less than .05 indicate good fit and values as high as .08 represent reasonable errors of approximation in the population (Browne and Cudeck). MacCallum, Browne, and Sugawara (1996) elaborated on these cut points and noted that RMSEA values ranging from .08 to .10 indicate mediocre fit and those greater than .10 indicate poor fit. In this study RMSEA value of the overall model is .061 which fits into the acceptable boundaries. The goodness-of-fit index (GFI) measures the relative amounts of variance and covariance in sample data that are jointly explained by a hypothesized model (Mulaik, James, Van Alstine, Bennett, Lind, and Stilwell, 1989). The AGFI differs from the GFI only in that it adjusts for the degrees of freedom in the specified model. The GFI and AGFI can be classified as absolute indexes of fit (Hu and Bentler, 1995). Both indexes range from 0 to 1.00, with values close to 1.00 indicating good fit. In this study, the GFI and AGFI values for the overall model are .756 and .737, respectively. In addition, Bentler and Bonett’s (1980) normed fit index (NFI) has become the practical measure of choice for incremental fit, as evidenced by the current “classic” status of their original paper (Bentler, 1992); however, because the NFI tends to underestimate model fit in cases of small samples, Bentler (1990) revised the NFI to take sample size into account and proposed the parsimonious comparative fit index (CFI). The values of both the NFI and CFI range from 0 to 1.00. A value greater than .90 for either was originally considered to represent a well-fitting model (Bentler, 1992), but a revised cutoff value close to .95 has been recommended (Hu and Bentler, 1999). The values of NFI (.751) and CFI (.820) for the model in this study are each close to the recommended level of .95, thus indicating acceptable fit.

Another index of fit is the parsimonious goodness-of-fit index (PGFI), which James, Mulaik, and Brett (1982) introduced to take into account the complexity of a hypothesized SEM in assessing its overall fit to the sample data. Mulaik, James, Van Alstine, Bennett, Lind, and Stilwell (1989) noted that PGFI values in the .50 range are not unexpected. The relative fit index (RFI) represents a derivative of the NFI; as with both the NFI and CFI, the

RFI coefficient values range from 0 to 1.00, with values close to .95 indicating superior fit (Hu and Bentler, 1999).

The incremental index of fit (IFI) was developed by Bollen (1989) to address the issues of parsimony and sample size, which were known to be related to the NFI. As such, its computation is basically the same as the NFI, except that degrees of freedom are taken into account. Thus, it is not surprising that the IFI value of .821 for the model in this study is consistent with the CFI value of .820 in reflecting a well-fitting model.

The parsimonious normed fit index (PNFI) is a modification of Bentler-Bonett's normed fit index that takes parsimony of the model into account. The PNFI uses the same parsimonious factor as the parsimonious GFI. Thus, the PNFI value of .720, the IFI value of .821, and the RFI value of .740 for the model in this study are indicating good fit. In summary, the values of the goodness-of fit measures found for the model in this study indicate no reason to reject this model.

The results for the fit measures led to the conclusion that the overall model moderately fit and represented a reasonably close approximation of the sample data. The results for the family and professional fit measures coincide with overall model.

**Table: Goodness-of-fit Measures for the Measurement Model**

Measures	Goodness-of-fit Statistics		
	Overall	Family	Professional
<i>Absolute fit measures</i>			
Chi-square	$\chi^2(1.753; 525)=5.125; p=.00$	$\chi^2(1.753; 280)=3.919; p=.00$	$\chi^2(1.754; 245)=3.797; p=.00$
NCP	3372	2166	2044
GFI	.756	.691	.676
RMR	.200	.169	.247
RMSEA	.061	.067	.069
<i>Incremental fit measures</i>			
AGFI	.737	.666	.651
NFI	.751	.669	.657
<i>Parsimonious fit measures</i>			
PNFI	.720	.641	.629
PGFI	.701	.640	.627
CFI	.820	.783	.779
IFI	.821	.785	.780
RFI	.740	.654	.642

*Note.* NCP = non-centrality parameter; GFI = goodness-of-fit Index; RMSR = root mean residual; RSMEA = root mean square error of approximation; AGFI = adjusted goodness of-fit index; NNFI = non-normed fit index; NFI = normed fit index; PNFI = parsimonious normed fit index; PGFI = parsimonious goodness-of-fit index; CFI = comparative fit index; IFI = incremental fit index; and RFI = relative fit index

#### 4.2 Hypotheses Test Results

It was hypothesized that family influence would positively affect each component of TMT Behavioral Integration (i.e., Information Sharing, Collaborative Behavior, and Joint Decision-making). The hypothesized positive effect of family influence on the components of TMT Behavioral Integration is based on the work by many researchers. None of these researches, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a positive relationship between Involvement & Commitment-based Family Influence, Values & Loyalty-based Family Influence and each component of TMT Behavioral Integration in all models at 99.9 % confidence level.

It was hypothesized that family influence would positively affect TMT Professionalization. The hypothesized positive effect of family influence on the TMT Professionalization is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a lack of relationship between Values & Loyalty-based Family Influence and TMT Professionalization in all models. Nevertheless there are positive relationships between Involvement & Commitment-based Family Influence and TMT Professionalization at 99.9 % confidence level in *overall* and *family* models.

It was hypothesized that family influence would positively affect each component of TMT Succession Planning (i.e., Strategic Goals, Corporate Values, Core Competencies, and Leadership Development). The hypothesized positive effect of family influence on the components of TMT Succession Planning is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. The general results indicate a lack of relationship between Involvement & Commitment-based Family Influence, Values & Loyalty-based Family Influence and each component of TMT Succession Planning. Nonetheless, there are only a positive relationship between Values & Loyalty-based Family Influence and TMT Succession Planning components: Corporate Values and Core Competencies in *family* model at the 99.9% significance level.

It was hypothesized that family influence would positively affect each component of Perceived Firm Performance (i.e., Market Performance, Production Performance, New



Product Development & Engineering Service Performance, and Financial Performance). The hypothesized positive effect of family influence on the components of Perceived Firm Performance is based on the work by many researchers. None of these researches, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a positive relationship between Involvement & Commitment-based Family Influence, Values & Loyalty-based Family Influence and each component of Perceived Firm Performance in all models at the 99.9 % confidence level, except Values and Loyalty  $\square \square$  Perceived Firm Performance in *family* model.

It was hypothesized that components of TMT Behavioral Integration would positively affect each component of TMT Succession Planning (i.e., Strategic Goals, Corporate Values, Core Competencies, and Leadership Development). The hypothesized positive effect of TMT Behavioral Integration on the components of TMT Succession Planning is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a lack of relationship between Joint Decision Making-based TMT Behavioral Integration and each component of TMT Succession Planning.

It was hypothesized that each component of TMT Behavioral Integration (i.e., Information Sharing, Collaborative Behavior, and Joint Decision Making) would positively affect TMT Professionalization. The hypothesized positive effect of each component of TMT Behavioral Integration on TMT Professionalization is based on the work by many researchers. None of these researches, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a lacking relationship between each component of TMT Behavioral Integration and TMT Professionalization in all models.

It was hypothesized that each component of TMT Behavioral Integration (i.e., Information Sharing, Collaborative Behavior, and Joint Decision Making) would positively affect Perceived Firm Performance. The hypothesized positive effect of each component of TMT Behavioral Integration on Perceived Firm Performance is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a

lacking relationship between each component of TMT Behavioral Integration and Perceived Firm Performance in all models.

It was hypothesized that TMT Professionalization would positively affect Perceived Firm Performance (i.e., Market Performance, Production Performance, New Product Development & Engineering Service Performance, Financial Performance). The hypothesized positive effect of TMT Professionalization on Firm Performance is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. The results indicate a lacking relationship between TMT Professionalization and Perceived Firm Performance.

It was hypothesized that each component of TMT Succession Planning would positively affect Perceived Firm Performance (i.e., Market Performance, Production Performance, New Product Development & Engineering Service Performance, and Financial Performance). The hypothesized positive effect of TMT Succession Planning on Firm Performance is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. TMT Succession Planning is measured through Strategic Goals, Corporate Values, Core Competencies, and Leadership Development. The results indicate a lacking relationship between Strategic Goals, Core Competencies, and Leadership Development-based TMT Succession Planning and Perceived Firm Performance.

It was hypothesized that each component of TMT Succession Planning would positively affect TMT Professionalization. The hypothesized positive effect of TMT Succession Planning on TMT Professionalization is based on the work by many researchers. None of this research, however, had examined these relationships in the context of respondent groups of family members and professionals. TMT Succession Planning is measured through Strategic Goals, Corporate Values, Core Competencies, and Leadership Development. The results indicate a lacking relationship between Strategic Goals, Core Competencies, and Leadership Development-based TMT Succession Planning and Perceived Firm Performance.

It was hypothesized that Market Dynamism would positively affect each component of Family Influence (i.e., Power, Experience, and Culture). The hypothesized positive effect

of Market Dynamism on the components of Family Influence is based on the work by many researchers.

It was hypothesized that Market Dynamism would positively affect each component of TMT Behavioral Integration (i.e., Information exchange, Collaborative Behavior, and Joint decision Making). The hypothesized positive effect of Market Dynamism on the components of TMT Behavioral Integration is based on the work by many researchers.

It was hypothesized that Market Dynamism would positively affect each component of Firm performance (i.e., Market, Production, New product development & Engineering service, and Financial). The hypothesized positive effect of Market Dynamism on the components of Firm Performance is based on the work by many researchers.

## **5. Discussion**

The relationships among family influence, top management team behavioral integration, top management team succession planning, top management team professionalization, market dynamism, and firm performance were measured.

### **5.1 Family Power**

As proposed by Astrachan et al. (2002), three items explain the power of the family in the family business: 1) ownership, 2) governance, and 3) management. The lack of support for identifying hypothesized relationships for power subscale comes from a lack of significant statistical findings. Even though Substantial Family Influence (SFI) value, proposed by Klein (2000), was computed as 2.33, it was dismissed from Structural Equation Model. Furthermore it can be concluded that families in the surveyed firms have strong ownership, management and/or governance power.

The finding shows that 94.7% of the respondents in the study work in 100% family-owned businesses. 30% of the companies are owned and managed by first generations. In 60% of the family firms, the first and second generations own the company. In 57% of the family firms, the first and second generations active on the governance board of the company. In 49.9% of the family firms; the first and second generations manage their companies. Findings indicate that first and second generations still hold the majority of the stocks in family firms. However, it can be concluded that concentrated ownership in automotive supplier industry in Turkey is high; as a result, acceptance for external ownership is still low. Another interesting finding is the general perception of the respondents about the role of governance and management board. It was reported during the interviews that founder

owners were very active on management boards; they were generally involved in decision-making processes. The respondents' perception about the founder's involvement in family businesses was consistent to the previous studies in the literature. Kelly et al. (2000) defined the founder's involvement as the nature of the founder's role in the family firm's strategy and decision-making processes. They suggested that such an involvement reflected founder's centrality in family firms. They further argued that high founder centrality existed when members of the family business's top executives always seek advice or approval from the founder before making decisions.

## **5.2 Family Experience**

The Experience subscale, as offered by Astrachan et al. (2002), presents special concerns identified in the reliability analysis. Three items in the Experience subscale focused on which generation of the family owns, governs and manages the family business. The responses to these three items are nominal, i.e., 1 = first generation (founder), 2 = second generation, 3 = third generation, 4 = first + second generations, 5 = second + third generations, 6 = first + second + third generations. The fourth item in the Experience subscale focused on how many family members participated in the family businesses as employees. The responses to this one item are continuous, i.e., from zero to the total number of employees in the business. According to the responses, approximately 30% of the companies are owned, managed and active by first generation (founders). Furthermore, approximately 55% of the companies are owned, managed and active by first and second generations. According to Astrachan et al. (2002), family businesses gain experience through ownership succession. It is evident that family firms have not experienced with ownership succession or very rarely. Therefore, it can be concluded that family businesses are very young with low level of experience. The average age of the family business found in this study was 22.9 years with maximum age of 56 years. The lack of support for identifying hypothesized relationships for experience subscale comes from a lack of significant statistical findings in Structural Equation Model. The results indicate that, as more generations own and manage the family firm and more family members contribute as employees in the firm, TMT Behavioral Integration, TMT Succession Planning, TMT Professionalization, and Firm Performance do not increase. There exist poor correlations of Experience scale with other research variables. Experience has low significant correlation with Firm Performance measures: market and New Product Development & Engineering.

This is an expected outcome based on previous studies. Thus, family ownership and management participation seemed to have no relation to the performance of the firm.

### **5.3 Family Culture**

The corporate culture influences the individuals through shared values and norms which guide activities (Drejer, 2000). Astrachan et al. (2002) argued that the family business culture involved two elements: the commitment of the family to the business, and the overlap of family and business values. The overlap between family and business values, as well as high commitment and effective communication by the family to the firm lead to more efficient information sharing, collaboration, and joint decision-making by the top management group. Norms, values, vision, and goals are influenced by the owners through their position to the top management group network (Kelly, Athanassiou, Crittenden, 2000). In other words, family culture shapes the level of behavioral integration of the top team, or even the whole organization, therefore culture is a very important variable. After factor analyses, culture subscale (as the overlap between family and business values as well as high commitment by the family) was divided into two components as Involvement & Commitment and Values & Loyalty. The current study found a positive, significant relationship between both culture components and Firm Performance: Market, Production, New Product Development & Engineering, and Financial. In addition Involvement & Commitment has much higher impact than Values & Loyalty on Firm Performance. In the family members model, there is no impact of Values & Loyalty on firm performance. However, the strength of Involvement & Commitment on Firm Performance is much higher than the overall model. The greatest impact of both culture components on Firm performance is production performance. One of the reasons for this finding may be sampling of the family firms are operating in the manufacturing industry. In the professionals model, there exist same strengths of Involvement & Commitment and Values & Loyalty on the impact of Firm Performance. The coefficient of Involvement & Commitment on the impact of Firm Performance is the lowest value with respect to overall and family members model. Findings were consistent with the previous study in the literature. Di Pofi (2003, p. 73) found significant relationships between Family Culture Influence (F-PEC) and "Satisfaction with Firm Performance" (Beta= .20;  $p < .05$ ). He concluded that stronger the culture, the higher the satisfaction with financial performance." Greater overlap between family and business values will increase family dominance on the

management board (Corbetto and Salvato, 2004). Both values overlap shapes a firm's Corporate Culture and reflects TMTs dependency. The study findings show that Culture components have strong influence on TMT behavioral integration in all models. It can be concluded that TMTs dependency on the family (Corbetto and Salvato, 2004) is very high in the surveyed firms. In this study Behavioral Integration of TMT consisted of Information Sharing, Collaborative Behavior and Joint Decision-making among TMT members. It is evident that the strengths of Involvement & Commitment on Joint Decision-making and Collaborative Behavior is much higher than Information Sharing related TMTBI. Similar findings exist for family members and professionals models. The strengths of Values & Loyalty on TMTBI components are much less than Involvement & Commitment. Similar findings exist for family members and professionals models. Involvement & Commitment has significant positive impact on TMT Professionalization; but this is not true for professionals model. In the family members model, there is a significant positive impact of Values & Loyalty on Corporate Values and Core Competencies-related TMTSP. The findings of this research indicate that culture, rather than power or experience, was the most important asset deriving from family influence and can, in fact, create a competitive advantage for family business. It should be noted that family culture also affects the relationships between family power and the control role of the board (Corbetto & Salvato, 2004). The results of this study suggest that in family businesses, cultural growth is subject to increase firm performance as well as behavioral integration of TMT.

The overlap between family and business values, as well as high commitment by the family members to the firm, can lead to better performance. One plausible explanation of these results involves the dominated role of the founder's values in the family firm culture. The research findings indicate that the majority of the founder owners in the surveyed firms are still active in the business. The specific background and character of entrepreneurs can lead to an establishment of a culture that is rich in core values and performance-enhancing behaviors. If the entrepreneurial/founder culture is developed by succeeding generations of the family, as an intangible asset it is difficult to replicate, can lead to a competitive advantage for family-influenced businesses.

#### **5.4 TMT Behavioral Integration**

Upper Echelons Theory argues that top executives greatly influence organizational outcomes. TMTs that have less behavioral integration may give rise to failure whereas TMTs that have high behavioral integration may create high-performance organization (Carmeli and Schaubroeck, 2006; Nordqvist, 2005). In this study results showed that TMTBI components were not significantly related to performance. The results are consistent with the argument of the two theories: Population Ecology Theory (Hannan and Freeman, 1977) and New Institutional Theory (DiMaggio and Powel, 1983). The argument was that TMTs had few effects because organizations were inertial, selected by external forces, and constrained by traditions and norms rather than the TMT that determined whether organizations succeeded or failed. However, Hambrick and Finkelstein (1987; cited in Hambrick, 2007) suggested that either contrasting views were conditionally valid, depending on how much managerial discretion existed or free actions were allowed. The previous research findings of TMTBI and business performance relations were mixed. Some studies found strong support between TMTBI and firm performance, others found opposite effect or no effect at all (Homburg, Krohmer and Workman Jr, 1999). However, Simsek et al. (2005) found that behavioral integration was positively associated with firm performance. This study found no relationship between the level of TMTBI and firm performance. This is an important finding in that it shows that BI is not an asset that is important for family businesses. Firms in which the TMT is less behaviorally integrated may exhibit no change in levels of performance than those with more behaviorally integrated firms. On the other hand, TMTBI components have strong influences on TMTSP components. Especially Collaborative Behavior-related TMTBI in the overall model has significant positive influence on Strategic Goals and Core Competencies-related TMTSP. In the family members model, Joint Decision-Making-related TMTBI has significant positive impact on Strategic Goals related TMTSP. In the professional model, there is a same relationship, but the strength of this relationship is much higher than in the family members model.

### **5.5 TMT Succession Planning**

Results of this study indicate that family firms that had a Succession Planning program engaged in activities and utilized such programs as Strategic Goals, Corporate Values, Core Competencies and Leadership Development as part of their executive succession procedures. In three models, it can be concluded that Corporate Values-related TMTSP has a strong positive impact on TMT Professionalization. The findings support the idea that

Corporate Values are the most predictable of TMT Professionalization. The Corporate Values element represents the social informal relations, collective habits, behavioral patterns, and attitudes existing in an organization (Drejer, 2000). Family and non-family executives both have the same view that prospective leaders should align their competencies with corporate values. In the professionals model there is also impact of Core Competencies-related TMTSP on Firm Performance. This finding is supported by the Staggenborg's (1988) argument that professional executives as career activists tend to formalize their organization in order to provide working conditions to practice and develop their organizational skills. He further argued that professional executives brought skills to an organization and expected to operate within an established structure. It can be concluded that professional executives working in family businesses seek to develop their Core Competencies more than family executives. This finding consistent to Tegarden et al.'s (2003) argument that top managers should be able to equally influence financial, operational, and organizational performance of a firm.

#### **5.6 TMT Professionalization**

The result shows that Values & Loyalty has significant positive relationship with Corporate Values-based TMTSP in the family members model. Thus, there are significant positive relationships between Corporate Values-based TMTSP and TMT Professionalization in all models. The results of this study suggest that, in the surveyed family firms, there is a high level of family and business values overlap. Greater overlap will increase a family's dominance on the board (Corbetto and Salvato, 2004). It can be concluded that, in the surveyed family firms, family culture influences the Professionalization of the TMT.

#### **6. Conclusion**

The overall purpose of this paper was to test the hypothesized relationships among family influence, top management team behavioral integration, top management team succession planning, top management team professionalization, market dynamism, and firm performance. This study also made important contributions to identifying the differences between family members and professionals in relationships. Furthermore, this study addressed the shortcomings in family business research on how to measure family influence. A standardized F-PEC scale measuring power, experience and culture in the family business was used and combined in the research.



The results of the study indicated a positive relationship among culture (values & loyalty, involvement & commitment) – based family influence, Top Management Team Behavioral Integration and firm performance. A positive impact of collaborative behavior based Top Management Team Behavioral Integration on Top Management Team Succession Planning by means of strategic goals and core competencies were found. Another finding was the positive impact of corporate values-based top management team succession planning on top management team professionalization. In addition, market dynamism was found to play no role on family influence. Further, there was a significant perceptual difference between family and non-family executives about the degree of professionalization. Finally, there was a significant difference in the hypothesized relationships among overall, family, and non-family executives. Further, a study of environmental effects on family influence in different industries is also recommended. Moreover, surveys conducted in other countries and sectors can enhance the validity of this study's findings.

### **6.1 Recommendations for Further Research**

A study on impacts of different management structures on TMTBI, TMTSP, and TMT professionalization in family firms operate in the automotive supplier industry should enhance our understanding about family businesses. Perceptual variations of market dynamism among pure family, pure non-family, and mixed management in family firms and relations to firm performance are recommended for the future study. "The larger and more established the business, the more non-family executives hold leadership positions" (Klein and Bell, 2007, p. 31). Non-executives role in strategic decisions is questionable since they hold their sit on the mixed management boards. To identify how dominance the family members on the board should be interesting study in family firms operating in the automotive supplier industry.

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