Study the Relationship between Organizational Justice and Psychological Ownership among Non-Family Employees in Family Firms: A Case Study of Iran

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ABSTRACT

Viewing psychological ownership as a positive resource for impacting human performance in organizations, the present study investigated the relationship between organizational justice and psychological ownership among non-family employees in family firms. The concept of ownership which has been the focus of attention by scholars and business managers has three different dimensions. Social identity theory has been applied to many organizational contexts, including family businesses. Due to numerous characteristics often attributed to family firms, they constitute a unique context for non-family employees’ justice perceptions. These are linked to non-family employees’ pro-organizational attitudes and behaviors, which are essential for family firms’ success. Social identity theory has been applied to many organizational contexts, including family businesses. However, the current study is one of the first to explore the organizational identification of non-family member employees in Iran. Based on previous research, it seems likely that, for family business employees, organizational identification mediates the relationship between organizational justice and commitment. This study proposes a model of psychological ownership for family business employees based on these considerations.

Keywords: organizational justice, employees' psychological ownership, Family businesses, Iran

1. INTRODUCTION

The existence of high levels of ownership feelings for the family business is repeatedly described as glue binding the owning family to the firm (Bernhard & Jaskiewicz, 2011; Pieper, 2007). As an outcome of this common feeling for ownership, strong personal commitment has been suggested as one major advantage of family firms compared to non-family firms (Poutziouris, 2001; Sharma & Irving, 2005; Tagiuri & Davis, 1996, Vallejo, 2008). One of the biggest challenges for these firms, however, is not to leave those behind that are outside the circle of the owner family (Chua, Chrisman, & Sharma, 2003). Having a dedicated workforce of non-family employees is an essential backbone of business success in many family firms. Although key positions in family firms are frequently held by members of the kin, many of these businesses employ a substantial larger amount of non-family employees than family members (Barnett & Kellermanns, 2006). Therefore, managing non-family employees and enhancing their value-creating attitudes and behaviors is an essential factor in ensuring a basis for a family business’s long-term prosperity (Chrisman, Chua, & Litz, 2003; Chua et al., 2003).

Extant research has established a strong connection between employee commitment and firm productivity and performance (Muse, Rutherford, Oswald, & Raymond, 2005; Whitfield & Poole, 1997). Organizational commitment is a strong belief in the organization’s goals and values, a willingness to work on behalf of the organization, and a desire to maintain membership in the organization (Porter, Steers, Mowday, & Boulian, 1974). This sense of commitment among employees could be used not only to preserve the longevity of their businesses, but also to create a positive working environment for employees.

Many firms throughout the world are family-owned businesses (FOBs), and they exist across a broad range of industries (Schulze, Lubatkin, & Dino, 2003). Family firms are often linked with characteristics such as paternalistic–autocratic rule, founder-centric cultures, lack of delegation, ingroup–outgroup perceptions of non-family employees, altruism, and nepotism (cp. Barnett & Kellermanns, 2006; Kelly, Athanassiou, & Crittenden, 2000; Padgett & Morris, 2005; Schein, 1983; Schulze, Lubatkin, Dino, & Buchholz, 2001). These unique aspects constitute potential sources of injustice perceptions of non-family employees (Barnett & Kellermanns, 2006; Blondel, Carlock, & Heyden, 2000; Carsrud, 2006). This is critical for family firms, as employees’ justice perceptions have been linked to positive work outcomes such as affective commitment (cp. Allen & Meyer, 1990; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Van Dyne & Pierce, 2004).

What distinguishes a family business from a non-family business is not simply the capital structure of the firm but the role the family plays in the organization, identity, vision and operations of the firm. Therefore the concept of family business can broadly be defined as a business governed by a dominant coalition controlled by
members of the same family or a small number of families who intend to shape and pursue the overall vision of the business held (Chua et al., 1999). As such, families as owners are likely to affect the development of a strong sense of organizational identification among their employees differently than owners of non-family firms (Carmon et al., 2010).

Whether employees perceptions of how similar they see themselves to other employees and whether they believe they are treated fairly should affect how identified and committed they become to their organizations.

Previous research has found strong, positive correlation between perceptions of organizational justice and perceptions of co-worker identification, satisfaction, and support as well as affective commitment (Byrne, 2003; Cohen-Charash & Spector, 2001; Colquitt, Conlon, Wesson, Porter, & Ng, 2001). While prior research has focused on these constructs within the context of non-family firms, little to no research has addressed them within a family business context.

More than 80% of employees of family businesses are non-family members (Mass Mutual, 2007). It is likely that non-family member employees struggle to find their “place” within the family business for which they work as they do not necessarily have in-group status due to their lack of membership in the founding family. Therefore, research needs to consider how this identity development process may affect all family business employees, not just those related to the founding family.

The distinction between family and non-family members can result in individuals receiving preferential treatment that is based less on behaviors or exchanges and more on family ties (Chapais, 2001; Moore, 1992), which may lead to perceptions of injustice or nepotism on the part of those individuals who are not part of the owning family (Muchinsky, 2011).

Recently, scholars have begun to examine the role of nonfamily member employees (Astrachan & Keyt, 2003; Barnett & Kellermans, 2006; Chua, Chrisman, & Sharma, 2003). Family and non-family employees compare themselves to each other as they develop their roles and identities within their organizations.

Non-family employees within family businesses likely provide additional challenges non-family firms may not face in terms of creating a strong sense of identification and commitment among family and non-family members alike.

The development of family and business identities as either separate or integrated entities of family member employees affects non-family employees’ perceptions and work experiences. If the founding family’s family and business identities are seen as integrated, non-family employees may be given limited access to managerial opportunities, limited contributions to organizational decision-making, and limited presence on governing boards (Lubatkin, Schulze, Ling, & Dino, 2005; Schulze, Lubatkin, & Dino, 2003b). On the other hand, if the founding family’s family and business identities are viewed as separate, non-family employees are likely to have a larger, more important presence in family businesses (Sundaramurthy & Kreiner, 2008). Other research suggests family businesses should develop a “family business meta-identity” addressing who they are as a family business, rather than developing who they are as a family and who they are as a business separately (Reay, 2009; Shepherd & Haynie, 2009a). If they are able to do this, family businesses will be more likely to be able to create a strong sense of organizational identification and commitment where all family business employees perceive themselves as not only similar in values, beliefs and attitudes, but as also treated fairly within the organization.

To understand more thoroughly how family business employees come to identify with and come to be committed to their family businesses, we decided to draw on social identity theory (SIT), based in intergroup theory (Tajfel, 1982). Social identity theory explains how individuals compare themselves to members of their social groups as well as to other social groups (Tajfel & Turner, 1986) in order to develop a series of social identities, including their organizational identities. Family business employees must compare themselves to both non-family member and family member employees in order to develop their unique identities and come to identify with their organizations.

The reason we believe that there should be a relation between organizational justice and psychological ownership is that both have strong influence on self-perception. Nevertheless there are few articles about organizational justice and psychological ownership (e.g. Loi, Hang-yue and Foley, 2006; Pierce et al., 2003; Pierce et. al., 2001; Sieger, 2011).

Organizational justice is the perception of whether individuals are treated with respect based on the decision-makers and the policies in their organizations (Colquitt, 2001; Scott, Colquitt, & Zata-Phelan, 2007). In this light, this paper investigates Relationship between organizational justice and employees’ psychological ownership in family firms in Iran.

2. LITERATURE REVIEW

Due to the interaction between the family and the business system, family firms constitute a special environment for nonfamily employees to work (cp. Beehr, Drexler, & Faulkner, 1997; Habershon, Williams, & MacMillan, 2003; Lansberg, 1983). They face the unique situation that they are part of the business but not part of the family system (Mitchell, Morse, & Sharma, 2003). This situation entails unique effects on non-family employees’ justice perceptions (Barnett & Kellermanns, 2006).
Examples for potential family business specific peculiarities that might lead to perceptions of injustice among non-family employees are nepotism (Padgett & Morris, 2005), authoritarian leadership style (Tagiuri & Davis, 1992), human resource practices generally biased against non-family members (Barnett & Kellermanns, 2006; Lubatkin et al., 2007; Schulze et al., 2001), ingroup–outgroup perceptions of non-family employees (Barnett & Kellermanns, 2006), founder-centric cultures (Schein, 1983), and lack of delegation (cp. Kelly et al., 2000). In addition, when the owning family uses its power and authority to serve family rather than business interests, for instance by seeking perquisites for private consumption (Davis, Allen, & Hayes, 2010), this behavior can give rise to non-owners’ perceptions of injustice. Even though perceptions of injustice among non-family employees may not occur in all family firms in general (cp. Barnett & Kellermanns, 2006), family firms seem to be particularly susceptible to factors leading to these perceptions. For that reason, understanding nonfamily employees’ justice perceptions and how they impact proorganizational outcomes on the individual level is a topic of essential relevance to family firms.

In recent years, a few conceptual works on justice perceptions in family firms have emerged. Barnett and Kellermanns (2006) theorized how the degree of family involvement may influence non-family employees’ justice perceptions through fair or unfair human resource practices. Lubatkin et al. (2007) drew on organizational justice literature to explain agency costs in family firms. However, empirical research on non-family employees’ justice perceptions is regarded as scarce (Barnett & Kellermanns, 2006; Carsrud, 2006).

Employees are concerned with both the fairness of outcomes that they receive and the fairness of their treatment within the organization (Williams et al., 2002:34). Sheppard et al., (1992) present two principles to judge the justice of decision, procedure or action. The first principle of justice requires a judgment of balance. The principle requires one to compare a given decision against other similar decisions in similar conditions. Comparisons of balance are made by evaluating the outcomes of two or more people and equating those outcomes to the value of the inputs they provide to the business. The second internal principles of justice are correctness. Correctness can be seen as the quality which makes the decision seen right. Therefore one makes decisions about the perceived justice of some action that harms or benefits someone by deciding whether the action appears to be both balanced and correct (Lee, 2000:19) Most justice researches accepts that three fundamental justice types exist that are distributive, procedural, and interactional (Croppanzano et al., 2001; Konovsky, 2000). Most definitions of FOBs contain elements relating to ownership, influence, involvement and succession (e.g., Astrachan & Shanker, 2003). At a general level of analysis, definitions stipulate that the family has some degree of strategic control over the direction of the business, and that the business is intended to remain within the family. More narrow definitional criteria may specify that multiple generations are involved, more than one family member has significant management responsibility, and there is direct family involvement in daily operations (Shanker & Astrachan, 1996). A definitional limitation in the FOB literature is the treatment of the term “family.” Although it is an important definitional component of a FOB, the FOB literature is typically unspecific about “family” or “family member” other than acknowledging or implying that family members are kin. In addition, most definitions treat family membership as categorical: an employee or owner either is or is not a family member (Miller, Le Breton-Miller, Lester, & Cannella, 2007).

Organizational behavior literature has intensively investigated organizational justice (cp. Colquitt et al., 2001; Cropanzano, Byrne, Bobocel, & Rupp, 2001). It is concerned with employees’ subjective fairness perceptions in their employment relationship (Byrne & Cropanzano, 2001; Greenberg, 1990). While four dimensions of organizational justice have been established, scholars agree that employees mainly draw on distributive and procedural justice perceptions when deciding how to react to the overall organization, whereas interpersonal and informational justice perceptions seem to be more relevant when referring to authority figures such as supervisors (cp. Bies & Moag, 1986; Colquitt et al., 2001; Walumbwa, Cropanzano, & Hartnell, 2009). In the light of this paper’s goal to investigate the link between justice perceptions and non-family employees’ organization-related attitudes, we limit our considerations to distributive and procedural justice.

Distributive justice refers to the perceived fairness of outcome distributions (cp. Colquitt et al., 2001). Typical examples of organizational outcomes are salaries, benefits, or promotions (cp. Colquitt, 2001; Colquitt et al., 2001). A distribution is perceived to be just if it is consistent with chosen allocation norms (Fortin, 2008) such as the widely applied equity theory (e.g., Adams, 1965; Colquitt et al., 2001). Equity theory states that people are more concerned about the fairness of outcomes than about the absolute level of these outcomes. In family firms, non-family employees thus compare their own input/output ratio to that of other individuals within their reference frame, for example with family members that are also working in the company. If the ratios are unequal, inequity is perceived, and the distribution is regarded as unjust. Procedural justice refers to the perceived fairness of the allocation process that leads to outcomes (Colquitt et al., 2001; Walumbwa et al., 2009). Thibaut and Walker (1975) found that the ability to influence or control the allocation process is able to increase individuals’ perceived fairness, even if the outcome itself cannot be influenced.

In the procedural justice approach, the emphasis lies in creating a sense of fairness among subsidiary managers during the strategic decision-making process to
Procedural justice introduced by Thibaut and Walker (1975) during their research on dispute resolution procedures. Colquitt et al. (2001) claimed that distributive and procedural justice is distinct constructs in nature. It refers to the fairness in the process of decision making about resource allocation (Korsgaard et al., 1995; Farmer et al., 2003; Alexander and Ruderman, 1987). Procedural justice is the employees’ observations about fairness in rules and regulation which are used to make a decision that will lead to the ultimate outcome (Elovainio et al., 2004; Greenberg, 2004; Aryee et al. 2002; Byrne, 2005; Greenberg, 2001). Moorman (1991) defined it as “the fairness of the procedures used in determining employee outcomes”. In the organizational justice literature, both distributive and Procedural justice perceptions are commonly situated in the context of appraisal interviews (Colquitt et al., 2001). Correspondingly, distributive justice refers to the outcome employees receive from their work (pay and promotion) that has been agreed on in their last appraisal interview. Procedural justice, in turn, refers to the process that was applied in that interview to negotiate the above mentioned outcomes (cp. also Masterson et al., 2000). Referring to family firms, Barnett and Kellermans (2006) argue that different family business specific factors, such as the level of Family influence affect human resource practices in terms of Performance appraisal, compensation, and promotion. Thus, we believe that investigating non-family employees’ justice perceptions in the appraisal interview context is appropriate (Sieger et al., 2011).

Employees’ ownership feelings toward the organization they work for, labeled psychological ownership, have received considerable scholarly attention in recent years (Avey et al., 2009; Pierce & Jussila, 2009; Pierce et al., 2003). When employees perceive ownership of the organization, it becomes part of the psychological owner’s identity and is felt as extension of the self (Belk, 1988; Dittmar, 1992). In general, psychological ownership may exist independently of formal ownership (Pierce, Kostova, & Dirks, 2001). Pierce et al. (2003, 2001) argue that psychological ownership can satisfy three underlying human motives. First, it can nurture feelings of efficacy, since “to have” is the ultimate form of control, whereby being in control leads to the perception that one “is the cause” and that one has altered or is able to alter the circumstances (Beggan, 1992). Second, ownership feelings help people define themselves, express their self-identity to others and maintain the continuity of the self. As such, possessions or what is perceived to be mine can have an identity forging and maintaining function (Kampfner, 1989; Price, Arnould, & Folkman Curasi, 2000). Finally, having a place, and hence the need for territoriality and security may also be nurtured by ownership feelings (Porteous, 1976). Furthermore, Pierce et al. (2001, 2003) conceptualize three potentially interrelating routes that lead to psychological ownership: intimately knowing the target of ownership feelings, having control over it, and investing oneself into it. So far, only the route of control has been empirically validated (Pierce, O’Driscoll, & Coghlan, 2004). Research still has to address “the conditions in organizations, work groups and individuals that enhance psychological ownership” (Avey et al., 2009, p. 186). More precisely, psychological ownership has been described as a cognitive-affective construct defined as, “the state in which individuals feel as though the target of ownership or a piece of that target is theirs,” and reflects “an individual’s awareness, thoughts, and beliefs regarding the target of ownership” (Pierce, Kostova & Dirks, 2003, p.86).

Some businesses have tried to use the motivational power of ownership and overcome the discrepancy between owner family and non-family employees by making employees to owners through means of employee ownership programs (Eisenhardt, 1989). However, applied employee stock holdings and ownership programs dilute ownership rights, reduce family control, and thus may oppose the dominant wish of many families to keep the firm under full control across generations (Gomez et al, 2007; Habbershon, & Williams, 1999; Sharma, Chrisman, & Chua, 2003). Consequently, family business owners are interested in finding different means to manage the ownership perceptions of their non-family employees in order to develop the potential favorable behavioral and attitudinal outcomes of ownership perceptions.

Pierce and et al (2001) have argued that psychological ownership is discriminant from other related constructs in its conceptual core and motivational bases, namely possessiveness. Van Dyne and Pierce (2004) extend this argument by comparing psychological ownership with other constructs such as commitment and satisfaction. In particular, they emphasize that psychological ownership asks the question, “How much do I feel this organization is mine?” Whereas commitment asks, “Should I maintain my membership in this organization.” Consequently, family business owners are interested in finding different means to manage the ownership perceptions of their non-family employees in order to develop the potential favorable behavioral and attitudinal outcomes of ownership perceptions. We propose psychological ownership of non-family employees as a mediator in the relationships between justice perceptions and commitment. Many Studies have reported positive relationships between both Distributive and procedural justice and commitment (e.g., Begley et al., 2006; Greenberg, 1994; Jones & Martens, 2009; Lowe & Vodanovich 1995, Sieger et al, 2011).

3. METHODOLOGY

In the present study we investigated the relationship between organizational justice and psychological ownership among non-family employees in family firms in Iran. The current study, according to its purpose, is an applied research and also is kind of descriptive surveys of the area of field studies considering the data collection method. To investigate the relationship between the variables and testing hypothesis, after
collecting the needed data and information through questionnaires, statistical software SPSS20 was used.

The sample size is very important to generalize the results to the community. There are several methods for determining sample size which among them mathematical methods are the most accurate ones for calculating the sample size.

Cochran's formula is used to obtain the sample size in this study based on which the number of sample is equal to 207, with 5% of error.

In this study, the data collected in the field part was done by a questionnaire and the library method was used to collect information about the concepts and theories related to the topic of the research.

The questions are based on a Likert scale from very much agreement to very much disagreement that the grading is 1 to 5. In the present study, in order to more assurance a total number of 250 questionnaires were distributed among consumers in stores. Some of questionnaires were excluded due to wrong and incomplete responses and finally 207 questionnaires were analyzed for data analysis.

The purpose, model, universe, sampling of study, data collection method and the statistical techniques used in analyzing are respectively explained in this section.

Participants completed the survey (n = 207), by returning hard copies of the survey during researcher visits. One-way ANOVA analysis revealed no significant differences among the three data collection methods. The survey took approximately 30 minutes to complete and included measures of distributive justice, procedural justice, Psychological ownership. The standardized factor loadings were used to calculate the reliabilities for each item, which were used to calculate the average variance extracted (AVE) for each scale to establish convergent validity and the construct reliability for each scale Organizational justice and psychological ownership were measured by using a 5-point scale with labels “I strongly disagree”, “I disagree”, “I'm not sure”, “I agree”, “I'm completely agree.”

![Fig 1: Theoretical model](http://www.cisjournal.org)

4. FINDINGS AND DISCUSSION

In this part we have tried to examine each hypothesis by using inferential two-variable linear regression statistics to test the first hypothesis and independent T test to examine the second hypothesis, and made a decision to approve or reject the hypotheses.

Means, standard deviations, and Pearson’s correlations are reported in Table 1. Hypotheses 1 and 2 are investigated in model 1. Adding distributive and procedural justice significantly increases explained variance over and above the control model (adjusted $R^2 = 0.177$). We find a significant and positive relationship between distributive justice and psychological ownership ($r = 0.148$, $p < 0.05$), which confirms Hypothesis 1. However, the relationship between procedural justice and psychological ownership is not significant, which rejects
Hypothesis 2. For mediation to occur, three conditions must be met (Baron & Kenny, 1986). First, the independent variable must affect the mediator. This applies only for distributive justice (model 1).

Second, the independent variable must affect the dependent variable. In model 2, we find a significant relationship between distributive justice and affective commitment \( r = 0.212, p < 0.01 \), but not for procedural justice and affective commitment, while the explained variance of the model increases significantly (adjusted \( R^2 = 0.209 \)). Third, when investigating the effects of the independent variable and the mediator on the dependent variable simultaneously, the effect of the mediator has to be significant, and the effect of the dependent variable has to be weaker than in condition 2 (cp. Baron & Kenny, 1986). Model 3 shows that psychological ownership is significantly related to affective commitment \( r = 0.298, p < 0.001 \), while the effect of distributive justice is weaker but significant \( r = 0.168, p < 0.05 \).

Employee status did not result in significantly different ratings of informational justice, interpersonal justice, attitude homophily, organizational identification, or commitment. Thus, results for all organizations and both employee types were combined in tests of the hypothesized model because individual-level analysis best captured the variation in responses.

![Fig 2: Predicted path model with standardized parameter estimates](image)

Original model, commitment is predicted to mediate the relationship between interpersonal justice, informational justice, and attitude homophily and organizational identification. LISREL 8.80 was again used to evaluate the fit of this alternative model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R</th>
<th>( R^2 )</th>
<th>( R^2_{adj} )</th>
<th>Estimate B</th>
<th>SE</th>
<th>The standard estimate of ( \beta )</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>employees' psychological ownership</td>
<td>0.67</td>
<td>0.44</td>
<td>0.43</td>
<td>1.06</td>
<td>0.065</td>
<td>0.67</td>
<td>16.55</td>
<td>0.001</td>
</tr>
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</table>

In analyzing the predicted path model, LISREL proposed a modification that would better explain the data, one in which organizational commitment mediates the relationship between interpersonal justice, informational justice, and organizational homophily and organizational identification. The first part of this model proposes that interpersonal justice, informational justice, and organizational homophily lead to organizational commitment. Previous research has shown that perceptions of justice are related to commitment (Cohen-Charash & Spector, 2001; Colquitt, Conlon, & Wesson et al., 2001; Tang & Sarsfield-Baldwin, 1996). One of the three factors of commitment is a desire to maintain membership in the organization (Porter et al., 1974). Perhaps an individual’s desire to maintain membership in an organization is based, not on his or her perceptions of the organization and what it is perceived to offer, but rather on interpersonal perceptions of co-workers.

Therefore, homophily would lead to a desire to maintain membership in the organization.

The post hoc model suggests that interpersonal justice, informational justice, and attitude homophily lead to organizational commitment, which leads to organizational identification. This supports Herrbach’s (2006) research suggesting a positive correlation between affective organizational commitment, defined as an employee’s attachment to his or her organization (Meyer & Allen, 1991), and the experience of positive affective states at work (i.e., identification). However, other previous research has shown a relationship between...
organizational commitment and identification, although the relationship has previously been argued in the opposite direction with identification leading to commitment (van Dick et al., 2004). This new model would extend the existing research by highlighting the potentially multi-directional nature of relationship between the two constructs. Because LISREL proposes models based only on their fit with the current data, assuming that the post hoc model is an accurate representation of the identification and commitment processes would be premature because this post hoc model might simply be an artifact of the current data set. In particular, we do not know the extent to which a relationship between interpersonal justice, informational justice, attitude homophily, and organizational identification is partially or fully mediated or whether it exists at all. Therefore, research should test both models using data sets across business types.

5. CONCLUSIONS

The present study assesses the Relationship between organizational justice and employees' psychological ownership in family firms in Iran. Addressing the important issue of non-family employees’ justice perceptions and how they lead to pro-organizational outcomes, we successfully validate psychological ownership as an alternative mediator in the relationship between organizational justice perceptions and commitment. Our findings constitute valuable additions to family business research, organizational justice and psychological ownership literature, and to practice. In the regression analysis, there seems to be a positive relationship between organizational justice and psychological ownership. The fact that the individuals have positive beliefs about their organization (they believe that the organization lacks justice and honesty and they distrust the organization) may cause them to have psychological ownership. However, there is a moderate positive relationship between distributive justice that its sub-dimension of organizational justice and psychological ownership. Another finding is that employees have attached more importance to the fairness of outcome distributions such as pay and promotion than to procedural. This study provides several implications for family businesses. This study suggests that family member and non-family member employees do not differ in their perceptions of organizational justice, psychological ownership, and commitment. In order to develop a positive sense of psychological ownership, family businesses should treat their employees similarly and strive to develop a positive working environment. This can be done by paying particular attention to organizational justice among employees. In order to develop a sense of cohesion among employees, family businesses should ensure they are treating their employees equally and fairly. Perceptions of organizational justice can be fostered through not only treating all employees with respect, but also by thoroughly explaining the organizational decision-making processes (Colquitt, 2001). Family businesses should be cognizant of ensuring their non-family members are informed of key decisions and that they are involved in the organizational processes, even if they are not privy to family interactions about the business. The findings of this study can be used by managers in designing their family firms in the future.

REFERENCES


