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# WE ARE FRIENDS BUT ARE WE FAMILY? ORGANIZATIONAL IDENTIFICATION AND NONFAMILY EMPLOYEE TURNOVER

## ABSTRACT

Retaining talented employees continues to be a challenge for organizations. This challenge is especially difficult for family businesses because the family-centric priorities of these firms often disadvantage nonfamily employees and make retaining them problematic. Our study posits organizational identification, or internalizing the firm's identity as one's own, as a key factor in overcoming this challenge. Fostering organizational identification in family businesses is complicated by the presence of both family and nonfamily employees, and research is needed to understand the ways in which these complex social dynamics operate. To gain this understanding, we adopt a social network perspective to examine the differential impact of friendships with family and nonfamily members on nonfamily employees' organizational identification and turnover. Results from a study of the nonfamily employees of a family-owned service company show that centrality in both family and nonfamily friendship networks reduces turnover, but that friendships with family members have a stronger effect. Results also show that various forms of embeddedness in social networks have indirect effects on turnover through organizational identification, highlighting identification's importance for retaining nonfamily employees. Implications for turnover theory and nonfamily employees are also discussed.

KEYWORDS: Family business; nonfamily employees; organizational identification; retention; Simmelian ties; social networks; turnover

**INTRODUCTION**

Employee retention remains a key issue across the globe. Organizations invest substantial time and resources in recruiting, hiring, and training employees, often making the costs of replacing those who quit quite high (Holtom, Mitchell, Lee, & Eberly, 2008). Research shows the cost of replacing a worker is approximately 100% of the budgeted salary for the position (Cascio, 2006), and non-economic costs such as damage to employee morale and lost organizational memory can also have significant consequences. Retention may also become increasingly important for organizations in coming years because of labor market challenges. Research suggests would-be leavers waiting on employment opportunities to improve may constitute considerable "pent up" turnover, and demographic trends such as an aging workforce and the resultant shrinking talent pool may also complicate retention efforts (Allen, Bryant, & Vardaman, 2010; Kulik, Ryan, & Harper, 2014).

Retaining employees may be particularly challenging in family-owned businesses, especially with regard to retaining *nonfamily* employees. Family businesses differ from their nonfamily counterparts in many ways. Family firms often focus on preserving socioemotional wealth (SEW) by ensuring a familial successor and managerial altruism toward family members (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Although socioemotional concerns often take primacy, attracting and retaining qualified nonfamily employees is also important for the success and survival of family firms (Chua, Chrisman, & Sharma, 2003; Chrisman, Chua, & Litz, 2003; Miller & LeBreton-Miller, 2005). However, this SEW-centric focus problematizes nonfamily employee retention because it often leads to their unfair treatment (Barnett & Kellermanns, 2006). Research suggests non-family employees are often treated as "second class citizens" and mistreated or even exploited by the family (Dyer, 2006: 264). This notion is

supported by Verbeke and Kano's (2012: 1183) proposition that HR practices in family businesses may often be unfair for nonfamily employees, what they term "bifurcation bias."

Given this potential for unfair treatment, fostering social identification with the organization may be vital for nonfamily employee retention. Social identification involves feelings of belongingness and oneness with a group and experiencing that group's successes and failures as one's own (Ashforth, 2000). In an organizational setting, social identification concerns the extent to which people internalize their membership in the organization and the emotional value and significance attached to that membership (Mael & Ashforth, 1992; Smidts, Pruyn, & Van Riel, 2001). Thus, organizational identification is the extent to which individuals define themselves as 'one' with the organization and internalize the organization's outcomes as their own (Ashforth & Mael, 1989; Ashforth & Schinoff, 2016). Due to the emphasis on socioemotional outcomes and the bifurcation of family and nonfamily organization members in family businesses, feelings of emotional inclusion and oneness with the organization could be pivotal for nonfamily employee retention. Identification in this way could take on added importance because of it's potential to alleviate the effects of unfair treatment and bifurcation in family businesses, and thus engender retention of nonfamily employees.

Research suggests identity is forged through "personalized bonds of attachment," highlighting the importance of social relationships in fostering organizational identification (Brickson, 2005: 578). However, only a few studies shed light on how relationships engender identification. Smidts et al. (2001) found that the quality of the communication climate in an organization was associated with identification, while Pratt (2000) found that sensegiving activities such as mentoring induced employees to identify with the organization. Perhaps most importantly, Jones and Volpe (2011) found that more numerous and closer interpersonal

relationships in the organization were associated with identification. Drawing on this finding, we suggest a social network perspective could have value because it provides a framework for understanding how social relationships foster the internalization of organizational identity. A social network perspective may have even greater utility in family business settings because nonfamily employees may be enmeshed in social relationships not only with fellow nonfamily employees, but also with family member employees. The uniqueness of these dynamics and the potentially differential impact of being embedded in these relationships makes a network perspective useful for understanding the impact of social relationships on identification and retention.

Thus, the purpose of this paper is to examine the roles of embeddedness in social networks and organizational identification in nonfamily employee turnover. In so doing, we examine the ways in which enmeshment in both family and nonfamily social networks fosters organizational identification in family businesses. We also investigate the role of centrality and identification in the turnover process of nonfamily employees. Drawing on a study of 103 employees of a service company based in the southeastern United States, our analysis sheds light on the differential roles of centrality in family and nonfamily social networks in fostering organizational identification, and the ways in which these relationships play a role in the turnover process. This study further contributes to the family business literature by noting the inherent challenges of retaining nonfamily employees and highlighting the unique factors that aid in addressing those challenges. The findings also have implications for broader theory on turnover and nonfamily employees.

## THEORY AND HYPOTHESES

**Employee Turnover**

Theory on employee turnover is underpinned by a series of process models depicting organizational exit as a decision process that unfolds as employees weigh leaving the organization (e.g., Lee & Mitchell, 1994; Mobley, 1977). Drawing on March and Simon's (1958) early theorizing, the bulk of these models position job dissatisfaction as a primary trigger of the withdrawal process. Although subsequent turnover models acknowledge occasions when employees quit without job dissatisfaction as a trigger or without resorting to a decision process (impulsive quitters, Lee & Mitchell, 1994; Maertz & Campion, 2004), most models suggest the exit process begins with employees experiencing job dissatisfaction. Reviews and meta-analyses have supported this theorizing, demonstrating consistent linkages between job dissatisfaction and turnover across a range of studies (Allen et al., 2010; Griffeth, Hom & Gaertner, 2000).

Despite the consistency of job satisfaction's role, meta-analysis also demonstrates that even the best predictor leaves 80% of turnover behavior unexplained. In order to gain a broader understanding of employee retention, research has begun to consider not only the decision process employees go through when contemplating turnover, but also the webs of relationships in which employees are situated (Felps, Mitchell, Hekman, Lee, Holtom, & Harman, 2009; Mossholder, Settoon, & Henagan, 2005). Such relational webs are comprised of attachments that enmesh individuals within an organization and create a sense of "stuckness" (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001). Thus, turnover research has invoked social perspectives on networks and network structures in considering topics such as embeddedness, structural equivalence, and relational position (e.g., Feeley, 2000; Krackhardt & Porter, 1986; Mitchell et al., 2001; Mossholder et al., 2005). This turn toward the study of social relationships holds particular promise for shedding light on nonfamily employee retention because these employees have relationships with family and nonfamily members. Specifically, we suggest insights from

social identity and social network theories offer unique insight into the factors that foster nonfamily employee retention.

**Social Identity Theory**

Social identity theory (SIT) describes the way individuals socially categorize themselves and others in order to reduce uncertainty and structure their social environments (Hogg, Abrams, Otten, & Hinkle, 2004). Social identity is therefore concerned with the sense of self that is derived from group membership. When individuals consider themselves members of a group, their attitudes and behaviors become increasingly governed by group expectations (Hogg & Terry, 2000; Van Knippenberg, Van Knippenberg, Monden, & de Lima, 2002). The identification process leads members to adopt the group's characteristics, norms, and behaviors in order to increase the salience of their membership. Social identification also allows individuals to internalize group successes and prestige as their own and thereby come to internalize the general embodiments of the group (Hogg & Reid, 2006).

Social identities may also reduce uncertainty because they provide a framework for who people are and how they relate to other groups (Hogg & Terry, 2000). Although cohesion is not necessary for social identification to occur, group membership suggests shared norms and commitment among employees in an organizational setting (Ashforth & Mael, 1989; Hogg et al., 2004). In support of this idea, meta-analysis demonstrates organizational identification has been linked with various individual workplace outcomes including self-esteem, performance, and organizational citizenship behaviors (Riketta, 2005). Research has also associated identification with turnover-related variables. Although recent literature reviews and meta-analyses of turnover do not discuss identification (e.g., Allen et al., 2010; Griffeth et al., 2000, Holtom et al., 2008), Riketta's (2005) meta-analysis of identification demonstrates that organizational identification

has a consistently negative link to turnover intentions; other studies also suggest such a relationship exists (e.g., Mael & Ashforth, 1995). Thus, evidence suggests organizational identification is associated with individual attitudinal and behavioral variables, including turnover.

**Friendship Networks and Organizational Identification in Family Firms**

Organizational identification takes on added levels of importance and complexity within family businesses, especially for nonfamily members. Research suggests the synthesis of family and firm identities often become the shared identity of the organization, answering questions about "who we are" and "what we do" as a family firm (Zellweger, Nason, Nordqvist, & Brush, 2013: 5). Family members may realize some of the advantages resulting from their familial status in the business, such as heightened trust and communication (Zellweger, Eddleston, & Kellermanns, 2010). However, the advantages bestowed upon family member employees often have the consequence of disadvantaging nonfamily employees (Barnett & Kellermanns, 2006; Dyer, 2006).

Because family firms are often marked by "unfair" treatment and bifurcation bias toward nonfamily employees, social identity theory suggests these employees are more likely to perceive the family firm as consisting of distinct family and nonfamily groups (Hogg & Terry, 2000; Van Knippenberg et al., 2002; Zikic & Richardson, 2016). Although such a structural hierarchy is a salient basis for social categorization (Cole & Bruch, 2006), research suggests nonfamily-family interactions may allow nonfamily employees to overcome the inherent separation between the two even in the face of nonfamily employee perceptions of differential treatment (Bernhard & O'Driscoll, 2011). Due to these social interactions, nonfamily employees may come to 'feel' like family, sharing a heightened loyalty that is typically characteristic of

family members (Karra, Tracey, & Phillips, 2006). The involvement of nonfamily employees in relationships with family members may therefore foster identification with the family business and ultimately reduce their turnover.

A social network perspective could shed light on this possibility. Social network theory suggests individuals with larger numbers of relationships in organizational social networks, conceptually and operationally defined as greater *degree centrality* (Freeman, 1979), are more embedded in the organization and hence more subject to normative social influences and attachments that shape identity. The richest and most intimate social relationships are friendships (Ibarra & Andrews, 1993). Friendships constitute strong ties between individuals (Krackhardt, 1998) and are therefore likely to have the greatest force in promoting identification. Centrality in friendship networks has been theorized to provide access to emotional and social support and serve as a conduit for information transfer (Ibarra & Andrews, 1993; Vardaman, Taylor, Allen, Gondo, & Amis, 2015; Vardaman, Amis, Wright, Dyson & Randolph, 2012). In this way, centrality could provide a pathway for the support and inclusion that prompts identification.

In family businesses, friendship centrality with family members may play a unique role in fostering a sense of belongingness among nonfamily employees. Family member employees are representative of the organization's values and priorities. Through the natural convergence of behaviors and norms that occurs among members of a cohesive group (such as groups of friends), nonfamily employees who are friends with family members will likely be influenced to adopt the organization's values and priorities as their own (Felps et al., 2009; Ostroff, 1992; Zagenczyk, Scott, Gibney, Murrell & Thatcher, 2010).

Although family firms are heterogeneous (Chua, Chrisman, Steier, & Rau, 2012) and disillusioned family members may at times exert influence that might negatively impact

nonfamily employee views toward the organization (Kidwell, Kellermanns, & Eddleston, 2012), research suggests the vast preponderance of family member employees maintain positive attitudes toward the organization. For instance, Ramos, Man, Mustafa and Ng (2014) found family status was highly correlated with psychological ownership, and a host of research suggests family member employees harbor trust toward the organization (e.g., Olson, Zuicker, Danes, Stafford, Heck, & Duncan, 2003; Zellweger et al., 2010). While disillusioned family members may at times wield negative influence, both social network theory and the family business literature suggest degree centrality in family friendship networks should be associated with internalization of the organization's identity in most cases. Thus, we propose degree centrality in family friendship networks will be associated with nonfamily employee organizational identification.

*Hypothesis 1: Nonfamily employees' degree centrality in family member friendship networks will be positively associated with their organizational identification in family firms.*

Degree centrality in *nonfamily* friendship networks should also foster organizational identification, although for different reasons. Friendship ties offer an opportunity to seek feedback during trying times, and being enmeshed in webs of relationships also creates bonds of obligation among organization members (Cobb, 1976; Vardaman et al., 2012). Although centrality among nonfamily employees may or may not facilitate the transfer of the family's values and priorities, it does signify embeddedness in a group of people who are inextricably part of the organization. Because the "people make the place" in organizations (Schneider, 1987: 437), friendships, even those only with other nonfamily members, should generally promote identification with the organization (Jones & Volpe, 2011).

Identification in this case stems from attachment to the *people* in the organization rather than the transfer of the organization's values and ideals. SIT holds simply being ensconced in a

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group of nonfamily members should promote feeling like "one" with the group. People at work often become synonymous with the organization (Nugent & Abolofia, 2006). As Chiaburu & Harrison (2008: 1082) suggest, "coworkers are not only a vital part of the social context at work, they can literally define it." Thus, individuals who share outgroup status with a set of other people are likely to identify with the organization because those people are cognitively synonymous with the organization (Ashforth & Mael, 1989; Nugent & Abolofia, 2006). Similar to what has been found in nonfamily organizations, friendships among employees create a sense of belongingness and oneness with the employee group (Jones & Volpe, 2011).

This notion is particularly germane when considering the effects of embeddedness in nonfamily employee social networks. Social identity theory suggests even negatively valued group distinctions foster social identification. Groups regarded negatively often recast their negative distinctions into positive ones, and thereby embrace their outgroup status within the organization (Ashforth & Mael, 1989; Wagner, Lampen, & Syllwasschy, 1986). Thus, even if negative feelings arising from perceptions of negative treatment become common in the nonfamily employee network, being embedded in a set of friendships should still be associated with organizational identification because nonfamily employees will feel a sense of belongingness with each other. Since this nonfamily employee group is synonymous with the organization, the sense of camaraderie and togetherness created via friendships should extend to the organization. Consistent with Jones and Volpe's (2011) predictions that relationships with peers are associated with organizational identification in nonfamily firms, attachment to nonfamily *people* promotes organizational identification in family businesses. Centrality in nonfamily friendship networks supports a different identity narrative than centrality among

family members (Ashforth, Harrison, & Corley, 2008), but should nonetheless promote organizational identification.

*Hypothesis 2: Nonfamily employee degree centrality in nonfamily friendship networks will be positively associated with organizational identification in family firms.*

Because of the inherently socioemotional focus of family businesses, we suggest friendships with family members will have a more powerful effect on organizational identification than those with nonfamily members. SIT suggests individuals place higher and lower value on membership in different groups, depending on the standing of the group (Ashforth et al., 2008). Our contention is that membership in the family group should be valued more than membership in the nonfamily group. Although attachment to other nonfamily members should foster identification with the organization (as it is theorized to do in nonfamily businesses; Jones & Volpe, 2011), the inherent link between the family's values and priorities and those of the family firm indicates friendships with the family should be more impactful (e.g., Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Gomez-Mejia et al., 2011). In other words, friendships with family members make nonfamily employees feel like part of the family; given that the family forms the backbone of the business, this emotional bond and sense of belongingness should have a stronger impact in fostering identification than bonds with other nonfamily employees. Close relations with family members also provide greater status in the business as identification is stronger when the group with which one identifies is deemed prestigious (Ashforth & Mael, 1989). Although centrality in both networks should be associated with organizational identification, friendship centrality among family members should be a stronger predictor of organization identification than friendship centrality among nonfamily members.

*Hypothesis 3: Nonfamily employee degree centrality in family member friendship networks will be a stronger predictor of organizational identification than degree centrality in nonfamily friendship networks.*

**From Dyads to Triads: Simmelian Ties in Family Businesses**

The unique nature of family firms—with socioemotional concerns sometimes outweighing financial ones, and the bifurcation of family and nonfamily organization members—suggests examining the deeper social structures in which friendships are embedded may provide greater explanation of organizational identification. Our theorizing suggests dyadic family and nonfamily ties differ in their strength, with the former being stronger than the latter; it is therefore possible that broadening the focus to social structures beyond the dyad will reveal further differences in social identification. From a social network perspective, the concept of Simmelian ties provides a pathway for investigating these social structures. Simmelian ties, also known as triadic ties, are formed when two people are tied to each other in strong relationships (such as friendships) and also tied to a common third party (Krackhardt, 1999). Simmelian ties are in this way fundamentally different from dyadic ties in that they are "super strong and super sticky" (Krackhardt, 1998: 24).

Simmelian triads change social relationships by reducing individual expression, reducing individual bargaining power, and reducing interpersonal conflict (Simmel, 1950). In the family business setting, Simmelian ties with family members (nonfamily employee relationships with a family member who is also tied to a common nonfamily member), should foster organizational identification among nonfamily employees for at least four reasons. First, individuals with common third-party friendship ties are more willing to share knowledge with each other (Reagans & McEvily, 2003); Simmelian friendship ties improve knowledge flows by enhancing shared understanding and the coordination of actions (Tortoriello & Krackhardt, 2010). Thus,

being embedded in Simmelian triads with family members should, through the improved information flows, facilitate the transfer of the family business's unique values and aims to the nonfamily member. Second, nonfamily employees who are embedded within a Simmelian friendship structure can draw upon sources of familial knowledge about tasks and the tacit operation of business. When individuals are immersed in such communities of practice, internalization of norms and customs is likely to occur (Wenger & Snyder, 2000).

Third, because Simmelian ties suppress individual interests in favor of those of the group, nonfamily members may feel a sense of obligation to the family. This sense of obligation could create conditions whereby nonfamily employees internalize the organization's identity as their own. Finally, Simmelian ties with family members may boost feelings of prestige felt by nonfamily employees. As noted previously, close relations with family members provide greater prestige in the family business, suggesting identification should be stronger when the group with which one identifies has higher status (Ashforth & Mael, 1989). For these reasons, we propose that Simmelian ties with members of the family should be associated with organizational identification.

*Hypothesis 4: Nonfamily employee Simmelian ties with family members will be positively associated with organizational identification.*

Simmelian ties with nonfamily members should also foster organizational identification, although again for different reasons. SIT suggests social identification can occur simply via an awareness of group membership; simply being assigned to a group promotes identification even in the absence of interpersonal similarity or agreement among group members (Ashforth & Mael, 1989; Brewer, 1979). Although these and other factors such as cohesion, obligation, and level of interaction in the group are not necessary for social identification to happen, Tajfel (1982) suggests they increase both the incidence and intensity of social identification.

With regard to nonfamily triads, the strength and stickiness of Simmelian ties should foster cohesion with other nonfamily friends, which should also serve to create higher levels of togetherness, obligation, and normative pressure among those in the triad (Krackhardt, 1998). The distinction that comes from being friends with other outgroup members in the family business (nonfamily members) should be enhanced by the cohesiveness of Simmelian ties. Taken together, SIT and social network theory suggest nonfamily employee Simmelian friendship ties with other nonfamily members should strengthen the tendency to identify with the organization.

*Hypothesis 5: Nonfamily employee Simmelian ties with nonfamily members will be positively associated with organizational identification.*

Given the unique bifurcation of family and nonfamily members in family businesses, examining the differential effects of embeddedness in Simmelian structures should also yield insight into the impact of family firm social dynamics on identification. Based on the family business and SIT literatures, we argued that Simmelian ties with family members would enhance organizational identification above that provided by dyadic friendships because of increased opportunities for knowledge sharing and value transfer as well as a greater sense of obligation to the family and feelings of prestige. We argued that Simmelian ties with nonfamily members would enhance organizational identification above the provision from dyadic friendships because of added cohesion and stronger feelings of distinction.

Because of the primacy of the family's interests in the family business (Chua et al., 2003; Gomez-Mejia et al., 2011), the dynamics present in super strong and super sticky ties with family members should be more powerful in evoking identification. Although SIT supports the idea that membership in a distinct group (e.g., a tight knit group of nonfamily employees in a family business) may elicit social identification with the organization, we expect the prestige and status

resulting from familial relationships to have a stronger effect than what can be brought forth by nonfamily cohesion.

*Hypothesis 6:  Nonfamily employee Simmelian friendship ties with family members will be a stronger predictor of organizational identification than Simmelian friendship ties with nonfamily members.*

Social identity theory posits that individuals classify themselves as members of a group (such as an organization), and that as membership gains salience it becomes a part of the individual's essence (Ashforth & Mael, 1989). Identification also creates a feeling of shared fate between the individual and the organization, because people adopt the organization's outcomes as their own and a have a desire to act on behalf of the organization and its interests (Ashforth & Schinoff, 2016). Internalizing the organization into one's essence also involves becoming psychologically intertwined and attached to the firm (Tajfel & Turner, 1986). This attachment stems from people internalizing the organization into their self-image, and thereby coming to see the organization's future as their own. (Van Dick et al., 2004). Exiting an organization that is ingrained in an individual's self-worth would therefore be highly dissonant, and akin to losing a part of oneself (Mael & Ashforth, 1995). Turnover research supports this general contention, with a vast literature suggesting psychological attachment serves to restrain employees from leaving an organization (e.g., Crossley, Bennett, Jex & Burnfield, 2007; Mitchell et al., 2001). Given that identification attaches employees by making them feel like one with their organizations, it should therefore be negatively associated with turnover.

*Hypothesis 7: Organizational identification will be negatively associated with nonfamily employee turnover.*

Although prevailing turnover models point to processes where more distal antecedents are associated with more proximal variables which then lead to turnover (e.g., Mobley, 1977, Mobley, Griffeth, Hand, & Meglino, 1979; Price, 1977), the role of social network variables

remains a topic of debate. Specifically, the idea that centrality and Simmelian ties are influential

in the turnover process has support, but whether that influence is direct or indirect is not clear.

Whereas centrality in social networks is sometimes directly linked with turnover (e.g., Feeley,

Hwang, & Barnett, 2008; Mossholder et al., 2005), other studies support the idea that friendships

and Simmelian ties play a more distal role and exert indirect influence (e.g., Soltis, Agneesens,

Sasova, & LaBianca, 2013; Vardaman et al., 2015). Research also shows that the effects of

centrality in social networks on various outcomes become manifest through, for example, social

support and self-efficacy (Vardaman et al., 2012), social capital (Ibarra & Andrews, 1993) and

access to information (Burkhardt & Brass, 1990). Thus, theory and research suggests network

variables influence turnover both directly and indirectly. Coupled with our arguments about

friendship ties and organizational identification, these mixed results suggest nonfamily

employees' friendship centrality and Simmelian ties likely exert both direct and indirect

influence on turnover.

*Hypothesis 8: Nonfamily employee friendship ties with family and nonfamily members will be negatively associated with nonfamily employee turnover directly, and indirectly through organizational identification.*

## METHOD

### Sample and Procedures

The sample consists of employees of a family-owned service company in the United

States. The organization is a first-generation firm that is managed by its founder. Workers came

from six discrete geographic locations, all located in the same state. Data were collected at three

points in time. Participants voluntarily completed surveys at time one and time two. In the initial

survey, social network data and control variables were collected. In order to mitigate concerns

over common method bias (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003), we collected data

on organizational identification six weeks later at time two. Turnover data were then collected

from organizational records 9 months after the initial survey. Surveys were distributed to the

population of the company's nonfamily employees ($N = 109$); 105 employees completed the

initial survey. One employee quit before administration of the second survey, and one provided

incomplete data and was also excluded from the final sample. In all, 103 participants completed

the second survey and provided usable data. The final response rate was 94% ($n = 103$), which

exceeds the threshold of 80% recommended for network studies (Wasserman & Faust, 1994).

The sample was 72% percent white and 93% male; 23% of participants voluntarily turned over

during the study period.

**Measures**

    *Turnover*. Turnover was collected from organizational records 9 months after the initial

survey. All participants who exited the organization during the study period did so voluntarily.

Participants were coded "1" for stayers and "2" for voluntary leavers.

    *Organizational identification*. Organizational identification was measured on a five-point

Likert-type scale from 1 = 'Strongly disagree' to 5 = 'Strongly agree.' The measure was adopted

from Mael and Ashforth (1992). It consisted of six items ($\alpha = .95$). A sample item is: "When

someone criticizes my company, it feels like a personal insult."

    *Degree Centrality*. Social networks were operationalized through answers to a 'close-

ended' sociometric questionnaire (Ibarra & Andrews, 1993). Each nonfamily participant was

provided with a full list of coworkers (both family and nonfamily) and asked to select anyone

they considered to be a friend. We distinguished between family and nonfamily employees using

information provided by the organization. This approach, known as the roster method (Borgatti,

Everett, & Johnson, 2013), allowed us to examine all relationships among workers. It also served

to reduce measurement error by not restricting the participant to a fixed number of responses (Borgatti et al., 2013). By providing a full list of employees, the likelihood of errors of omission was reduced (Holland & Leinhart, 1973). In order to fully account for centrality in family networks, we also provided an opportunity for nonfamily employees to name any family members with whom they were friends but who were not on the roster because they were not formally employed by the firm. Participants were instructed to list only family members in the open-ended section of the survey. Including these family members allowed us to paint a truer picture of the nonfamily employee's ties to the family.

From these responses, we constructed separate family and nonfamily networks for analysis. We calculated the degree centrality of nonfamily employees in separate family and nonfamily friendship networks using UCINET software (Borgatti, Everett, & Freeman, 2002). Although degree centrality comes in indegree and outdegree forms, we used the outdegree measure in our analysis because organizational identification is a psychological phenomenon, making the structure of the network from the focal individual's perspective more relevant for its study.

Degree centrality is one of the most basic measures employed in social network analysis, but the six discrete geographic locations presented a layer of complexity in its measurement. Because the six locations employed varying numbers of people, an employee's degree centrality may be relative to the size of the network at that location. For instance, an individual located in a network of ten who has eight friends and an individual located in a network of one-hundred who has eight friends would have the same centrality scores using a raw measure, but the centrality metric would clearly have different levels of meaning. In order to address this issue, we instead used Freeman's (1979) measure that corrects for the size of an individual's network by

controlling for the size of a network in an individual's centrality score. This approach allowed us to compare the relative centrality of individuals located within different locations. Each individual's relative centrality was calculated for nonfamily and family networks.

*Simmelian ties*. Simmelian ties were also calculated using UCINET. A nonfamily Simmelian tie exists when nonfamily individual $i$ and nonfamily individual $j$ have a tie, and both have a tie in common with at least one other nonfamily individual (Dekker, 2006). A family Simmelian tie exists when nonfamily individual $i$ and family individual $j$ have a tie, and both have a tie in common with at least one other nonfamily member.

*Control variables*. We controlled for job satisfaction because of its demonstrated role as a predictor of turnover. Job satisfaction was measured via three items adopted from Camman, Fichman, Jenkins, and Klesh (1983). Responses ranged from 1 = 'strongly disagree' to 5 = 'strongly agree.' A sample item is "All in all, I am satisfied with my job." We controlled for age in years because it was identified as a significant correlate of identification in Riketta's (2005) meta-analysis, and also to account for the natural clustering of individuals with similar others. Age is also a common correlate of retention (Holtom et al., 2008). We also controlled for tenure because of its intuitive linkage with turnover. Tenure was measured by number of months of employment with the organization at the time of the initial survey.

**Analysis**

We used the PROCESS macro for SPSS (Hayes, 2013; Preacher, Rucker, & Hayes, 2007) and bias-corrected bootstrapping to test our hypotheses regarding direct and indirect effects. This technique uses linear regression to test hypotheses regarding organizational identification, and logistic regression to test hypotheses regarding turnover. To test Hypotheses 3 and 6, we first examined the path coefficients of the contrasted variables. In order to add

robustness to the conclusions drawn from contrasting the coefficients, we performed relative

importance analyses (Johnson, 2000). Relative importance analysis decomposes a variable's $R^2$

into weights reflecting the proportional contribution of the predictor variables. In this way, it

indicates the contribution each predictor makes when considered in combination with other

predictors (LeBreton & Tonidandel, 2008). It is also useful in assessing the relative strength of

two predictors because it provides a test of significance between the two based on bootstrapping

procedures (Tonidandel & LeBreton, 2011). Relative importance analysis is particularly

important when those predictors are correlated because those correlations can confound

assessments based on regression coefficients (Johnson, 2000). Epsilon statistics (denoted ε) were

calculated and provide an index of the proportionate contribution each independent variable

makes in predicting the dependent variable. Epsilon statistics and tests of significance were

computed with an online utility developed by Tonidandel and LeBreton

(http://relativeimportance.davidson.edu).

## RESULTS

The means, standard deviations and correlations among study variables are reported in

Table 1. Hypothesis 1 proposed that centrality in family friendship networks would be associated

with organizational identification. Results from Table 2 show that family centrality is positively

related to organizational identification ($\beta = .28$, $p < .01$). Hypothesis 1 is therefore supported.

Hypothesis 2 proposed that centrality in nonfamily friendship networks would be associated with

organizational identification. Table 2 demonstrates that centrality is positively and significantly

associated with organizational identification ($\beta = .25$, $p < .01$). Thus, Hypothesis 2 is also

supported. Hypothesis 3 proposed that degree centrality in family member networks would be a

stronger predictor of organizational identification than centrality in nonfamily friendship

networks. Results from Table 2 demonstrate that the coefficient for family centrality is larger than that for nonfamily centrality. Although family and nonfamily centrality were not correlated, we performed relative importance analysis in order to assess the significance of the differences in importance of the two variables. Results show that centrality in family friendship networks ($\varepsilon$ = .20) explains a larger percentage (78%) than centrality in family friendship networks ($\varepsilon$ = .06; 22%) and that this difference was significant ($p < .05$). Hypothesis 3 is therefore supported.

Insert Table 1 and Table 2 about here

Hypothesis 4 proposed that Simmelian ties with family members would be associated with organizational identification. Results presented in Table 2 show that family Simmelian ties are positively and significantly associated with organizational identification ($\beta$ = .30, $p < .05$). Hypothesis 4 is supported. Hypothesis 5 proposed that Simmelian ties with nonfamily members would be associated with organizational identification. Results presented in Table 2 show that nonfamily Simmelian ties are positively but not significantly associated with organizational identification ($\beta$ = .03, $p = ns$). Thus, Hypothesis 5 is not supported. Hypothesis 6 proposed that Simmelian ties with family members would be a stronger predictor of organizational identification than Simmelian ties with nonfamily members. Table 2 demonstrates that the coefficient for family Simmelian ties is greater than that of nonfamily Simmelian ties. Relative importance analysis also shows that Simmelian ties to family members ($\varepsilon$ = .06) are a more important predictor of identification (70%) than Simmelian ties to nonfamily members ($\varepsilon$ = .02; 30%) and this difference is significant ($p < .05$), supporting Hypothesis 6.

Hypothesis 7 proposed that organizational identification would be negatively associated with turnover. Results from Table 2 support this hypothesis ($\beta$ = -1.14, $p < .01$). Hypothesis 8 suggested our study network variables would have both direct and indirect effects on turnover.

Tests for direct and indirect effects presented in Table 3 demonstrate that none of the four

network variables have direct effects on turnover, while family centrality ($\beta$ = -.06, 95% CI [-.19,

-.01]$, p < .05$), nonfamily centrality ($\beta$ = -.03, 95% CI [-.08, -.01], $p < .05$), and family

Simmelian ties ($\beta$ = -.18, 95% CI [-.18, -.01]$, p < .05$) have significant indirect effects.

Nonfamily Simmelian ties do not ($\beta$ = -.01, 95% CI [-.13, .09], $p = ns$). Thus, our hypothesized

network variables exerted only indirect influence on turnover through organizational

identification. Hypothesis 8 is not supported.

Insert Table 3 about here

## DISCUSSION

This study examined the role friendship ties play in nonfamily employee organizational

identification and retention in family firms. Specifically, we tested the proposition that centrality

within a family business's family and nonfamily friendship networks would influence the

broader turnover process via organizational identification. We first predicted that being

embedded in family and nonfamily friendship networks would be associated with nonfamily

employee organizational identification. Based on Simmel's (1950) ideas, we also predicted that

when dyadic friendships were embedded in triads their effect on identification would be

strengthened. Drawing on SIT and the family business literature, we proposed that friendships

with family members, both dyadic and triadic, would be more influential in fostering

identification than those with nonfamily members. Finally, supporting our broader theme, we

found that the effects were indirect through organizational identification. With the study lending

general support to our predictions, this research enhances understanding of nonfamily employee

retention in family businesses. It also sheds light on the unique social dynamics in family firms.

**Theoretical Contributions**

Our findings highlight the general importance of organizational identification for nonfamily employee retention in family businesses. Results from Hypotheses 7 and 8 demonstrate that organizational identification was strongly and negatively associated with turnover, and that network embeddedness had indirect effects through this mechanism. Although studies of organizational identification and turnover behavior have been sparse, contrasting our results to those from studies in nonfamily businesses brings organizational identification's importance into specific relief. Compared to samples from nonfamily organizations, organizational identification's bivariate correlation with nonfamily turnover (-.44) in our study is quite high. Ashforth and Mael (1995) studied the link between identification and employee attrition in a military sample, and found bivariate correlations ranging only from -.11 to -.30 across six time periods. Riketta's (2005) meta-analysis found that organizational identification explained only around 12% of variance in turnover *intentions*, which is striking because turnover intentions have a consistent but only moderate relationship with turnover behavior. This suggests the linkage would likely be even weaker to the behavioral outcome (Griffeth et al., 2000; Vardaman et al., 2008). Compared to findings in nonfamily businesses, our findings suggest identification may play a much larger role in the turnover process in family firms.

This supports our contention that the focus on SEW preservation and bifurcation of family and nonfamily employees make organizational identification vital for retaining nonfamily employees. Our findings suggest because of the family-centric nature of these firms (Berrone et al., 2010; Carr & Hmieleski, 2015), internalizing the organization's identity as one's own keeps nonfamily employees in the fold. Organizational identification could alleviate the effects of bifurcation and unfair treatment and be akin to internalizing the family's values and priorities. Factors that preserve SEW which might be seen negatively by nonfamily employees may be seen

less negatively by nonfamily employees who identify with organization. Organizational identification may ameliorate or neutralize the effects of nonfamily employees' negative experiences and keep them from exiting the organization.

Findings from Hypotheses 1-3 shed light on the unique social dynamics in family businesses, and how they influence identification. Centrality in both family and nonfamily friendship networks were significantly associated with identification, but family friendships played a larger role. This finding is interesting because it comports with the notion that family takes primacy in the business, making relationships with family members important. However, it also demonstrates that nonfamily relationships have value. Findings from Hypothesis 1 suggest that the bifurcation in family businesses has unique implications, but findings from Hypothesis 2 also suggest that the social dynamics among nonfamily employees may function similarly at times to those in nonfamily businesses. Further exploring this possibility could be important for extending behavioral research into the family business domain.

These results come with a caveat, however. Although results from Hypothesis 1 support the notion that centrality in family member friendship networks promotes identification at least partially via value transfer, circumstances may arise in which family members have a negative view toward the organization and fail to transmit the family's values. In these cases, it is possible that friendships with these family members could have a negligible or even deleterious effect on identification. Social identification theory suggests simply being embedded in friendships should foster at least some level of identification, as simply participating in social relationships and interaction is theorized to promote shared identity (Mael & Ashforth, 1995). Social network theory is less clear on this notion. Although work on contagion in networks suggests social influence may shape employee attitudes and behaviors (Felps et al., 2009), the bulk of network

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studies suggest it is the individual's structural position that shapes cognition and behavior (e.g., Krackhardt & Porter, 1986; Mossholder et al., 2005). Future research might examine if the effects observed here hold up in networks with disaffected family members.

Our results also have implications for broader theory on organizational identification. The differential impact of centrality in family and nonfamily friendship networks gives rise to questions about various underlying networks in nonfamily organizations and how enmeshment in them may differentially predict identification. While the bifurcation in family businesses is relatively well known (Dyer, 2006; Verbeke & Kano, 2012), fissures based on factors other than kinship could also exist in nonfamily businesses. If this is the case, understanding how being central among networks of disparate people could provide significant theoretical purchase in understanding identification more broadly. Future studies might consider how embeddedness in different groups differentially impacts identification, both in family and nonfamily businesses. In this way, our findings may have implications outside the family firm context.

We expanded our analysis beyond dyadic relationships by considering the impact of Simmelian ties in fostering identification. Embeddedness in family-nonfamily triads was significantly associated with organizational identification, while embeddedness in nonfamily triads was not. In supporting Krackhardt's (1998) theory that Simmelian ties are super strong and super sticky, findings suggest that normative pressure and obligation associated with being deeply embedded in relationships contribute to identification. The effect occurred only in family-nonfamily friendship triads, demonstrating the primacy family ties have in family businesses. Becoming more deeply embedded with family members may bestow family social capital, an important currency in family businesses, on nonfamily employees (Arregle, Hitt, Sirmon, & Very, 2007).

Taken holistically, these findings contribute to the turnover and family business literatures by positioning organizational identification as prime mechanism in the nonfamily employee turnover process. Our findings suggest the unique social dynamics in family businesses make friendship ties with family members vitally important in fostering identification. In further support of this conclusion, our analysis demonstrates that these factors drove the turnover process even when controlling for a key driver of turnover, job satisfaction. Although future research is necessary, the turnover process may be unique in family firms, with relational and emotional factors taking primacy over job attitudes. Such a development is a significant advance on extant turnover theorizing and contributes to an overarching theory of the family firm. In particular, study findings highlight the restraining role relationships with family members has on nonfamily employee exit.

From a family business perspective, study findings suggest rich, intimate relationships with family members may provide status and privilege to nonfamily employees. Research has hinted at the idea that positive nonfamily employee outcomes could result from conferring additional status on nonfamily members (Arregle et al., 2007; Sieger, Bernhard, & Frey, 2012). Findings here support this notion and offer insight into how these benefits become manifest: via increased identification and retention. An implication of this finding is that family firms might benefit from creating a more informal work environment conducive to relationships between family and nonfamily members. In so doing, family firms might engender greater identification with organization and reduced turnover among nonfamily employees. The less formal HR systems often present in family businesses (De Kok, Uhlaner, & Thurik, 2006) may in this way be an advantage for family firms.

**Limitations and Directions for Future Research**

We investigated friendship ties because they are among the richest and most intimate relationships and social network research suggests they carry the emotional content necessary to foster identification (Ibarra & Andrews, 1993; Vardaman et al., 2012). However, relationships in other types of networks may also play a role. In particular, advice and communication networks have been implicated in the turnover process and could have similar implications in family businesses (e.g., Feeley et al., 2008; Mossholder et al., 2005). This limitation gives rise to an opportunity to explore the influence of centrality in these networks in engendering organizational identification and turnover in both family and nonfamily businesses. While these relationships do not have the intimacy of friendships, they could potentially be associated with identification for more utilitarian reasons.

Although we controlled for important predictors of turnover and in particular ruled out a key alternate explanation (job satisfaction), other job attitudes or workplace characteristics may play a role. Future studies should therefore investigate nonfamily employee attitudes and behaviors. As organizational behavior research is generally underdeveloped in the family businesses literature, more research on the effects of employee traits and attitudes is needed. This constitutes an opportunity for greater understanding of a variety of individual outcomes in family businesses. Further, family firms are heterogeneous and vary in size, scope and industry. More research is needed to determine if the findings here generalize to workers in other professions. Our sample was also predominantly male. Future research might investigate these relationships among more diverse samples.

Sample size might be a limitation in the present study. However, network studies often feature smaller samples because of the high response rates necessary for adequate measurement (Wasserman & Faust, 1994). For example, Ho, Rousseau, and Levesque (2006) report that

typical sample sizes have ranged from 33 to 63 in network studies in organizations, and Ibarra's

seminal work (Ibarra, 1993; Ibarra & Andrews, 1993) featured samples of 73 participants. Our

sample size also compares favorably with other recent network studies such as Ho et al. ($n = 49$;

2006) and Feely et al. ($n = 40$; 2008). Future research on social relationships in family businesses

might benefit from replication in order to provide more confidence in the generalizability of the

findings. In the same vein, our participants are from one organization. Given the heterogeneity of

family businesses, future research might examine these relationships in multiple firms in order to

ensure greater generalizability.

**Practical Implications**

Our study offers insights for managers. Study findings suggest that high degrees of

connectedness foster organizational identification and decrease the likelihood that employees

will exit the organization. Because friendship centrality reflects socioemotional attachments,

focusing on pay and other tangible inducements may be less effective in family firms. Instead,

our results suggest managers take steps to cultivate and improve interpersonal relations among

employees to create the social attachments. In particular, strategies that encourage family

members and nonfamily employees to connect should foster nonfamily identification and

retention. Among the various ways that managers could foster mutually supportive relationships

are mentoring programs. Pairing nonfamily employees with family mentors could promote social

relationships and engender identification. Chandler, Kram and Yip (2011) suggest a network of

mentors are more effective for fostering protégé outcomes, underscoring the value of mentoring

programs for both the family business and the nonfamily employee.

**Concluding Remarks**

In this study, we drew upon a social network perspective, social identity theory, and the

family business literature to investigate nonfamily employee retention. In so doing, we identified

organizational identification as a key factor in keeping nonfamily employees in the fold. We also highlighted the primacy of relationships with family members in fostering identification, but also found evidence that relationships with nonfamily members had at least some effect. Our hope is that this study will serve as a launching point for investigating the important topic of nonfamily employee attitudes and behaviors in family businesses.

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**Table 1**

**Means, Standard Deviations and Correlations of Study Variables**

| Variable | M | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Job Satisfaction | 2.89 | 1.11 | | | | | | | | | |
| 2. Age | 32.93 | 8.81 | .05 | | | | | | | | |
| 3. Tenure | 9.50 | 5.26 | .12 | .02 | | | | | | | |
| 4. Outdegree family friendship centrality | 5.30 | 5.85 | .27** | -.02 | -.03 | | | | | | |
| 5. Outdegree nonfamily friendship centrality | 14.41 | 10.36 | .12 | .23* | -.06 | .02 | | | | | |
| 6. Family Simmelian ties | 1.39 | 2.05 | .23* | -.08 | -.21* | .55** | .02 | | | | |
| 7. Nonfamily Simmelian ties | 4.25 | 3.97 | .14 | .10 | -.11 | .17 | .53** | .50** | | | |
| 8. Organizational identification | 3.48 | 1.07 | .16 | -.04 | .06 | .45** | .25** | .45** | .33** | | |
| 9. Turnover | 1.23 | 0.42 | -.11 | .05 | -.18 | -.14 | -.19 | -.13 | -.21* | -.44** | - |

Note: N = 103; Job satisfaction, age, tenure and network variables were collected at time 1; Organizational identification was collected at time 2; Turnover was collected 9 months after the initial survey.
**p < .01
*p < .05

**Table 2**
**Model Results for Organizational Identification and Turnover**

| Variable | Organizational Identification[a] | | Turnover[b] | |
|---|---|---|---|---|
| | β | SE | β | Exp (β) |
| Job Satisfaction | -.02 | .09 | -.16 | .85 |
| Age | -.07 | .01 | .02 | 1.01 |
| Tenure | .16 | .02 | -.08 | .92 |
| Family Degree Centrality | .28** | .02 | .01 | 1.02 |
| Nonfamily Degree Centrality | .25** | .01 | -.01 | .99 |
| Family Simmelian Ties | .30* | .07 | .23 | 1.26 |
| Nonfamily Simmelian Ties | .03 | .03 | -.14 | .87 |
| Organizational Identification | | | -1.14** | .32 |
| Intercept | 2.61 | .43 | 3.35 | 28.37 |

*Note*: $n = 103$; a = standardized coefficients from OLS regression, $R^2 = .34$, Adjusted $R^2 = .30$; b = unstandardized coefficients from logistic regression, Nagelkerke $R^2 = .34$; β = log odds; Exp(β) = odds ratio. Job satisfaction, age, tenure, and network variables were collected at time 1; Organizational identification was collected at time 2; Turnover was collected 9 months after the initial survey.
* $p < .05$
** $p < .01$

**Table 3**
**Direct and Indirect Effects on Turnover**

| Variable | Direct Effects | | Indirect Effects | |
|---|---|---|---|---|
| | β | SE | β | SE |
| Family Centrality | .02 | .08 | -.06* | .05 |
| Nonfamily Centrality | -.01 | .04 | -.03* | .03 |
| Family Simmelian Ties | .23 | .22 | -.18* | .13 |
| Nonfamily Simmelian Ties | -.14 | .11 | -.01 | .06 |

Note: *n* = 103.

*p < .05