

Full Length Research Paper

The use of institutional measures for business ethics implementation in family and non-family businesses: Does a family matter?

Jernej Belak*, Mojca Duh and Borut Milfelner

Faculty of Economics and Business, University of Maribor, Razlagova 14, 2000 Maribor, Slovenia.

Accepted 29 August, 2011

The case study research methodology in combination with quantitative methods was applied to explore the influence of a family on the emergence and presence of informal and formal institutional measures of business ethics implementation. For the empirical testing, we have selected Slovenia, one of the most developed European post socialist transition countries. Our research reveals that the role modeling is presented to a greater extent in family than in non-family businesses; this measure is the most popular measure of encouraging ethical behavior in family as well as in non-family businesses. The core value statement is presented to a greater extent in non-family than in family businesses, reflecting the less formal mode of family businesses functioning.

Key words: Family, family enterprise, case study, informal and formal measures of business ethics implementation, ethical behavior, transition economies, Slovenia.

INTRODUCTION

At the most basic level, a family enterprise may be defined as an enterprise which is controlled by members of a family. However, family enterprises are not homogenous. Empirical research has revealed that, among others, family enterprises vary, regarding the degree of family involvement in ownership and management (Astrachan et al., 2002; Aronoff and Ward, 2002; Sharma, 2004; Westhead and Cowling, 1998; Poutziouris et al., 1997; Duh et al., 2009). The family is an intimate room where the core values, culture, as well as ethical climate of the family, as well as of the broader environment is shaped (Duh and Belak, 2009). It is also where the first social relationships are formed, which differ from relationships with people outside the family circle. The process of family education and upbringing form the foundation for the focused expectations of every single family member upon which the trust and firmness of family relations are built (Bogod and Leach, 1999). The family system forms fundamental principles, core values,

which can be seen as the guidelines in setting the vision, mission and goals of a family enterprise. Because of the importance of the family influence on the ethical culture of a family enterprise system (influenced through the family core values), it could be possible to observe and value the level of family influence on the ethical behavior of a family enterprise as well as the emergence and presence of the informal and formal institutional measures of business ethics implementation.

There are many research studies indicating the importance of formal (Adam and Moore, 2004; Sims and Keon, 1999; Morris, 1997; Verschoor, 1998; Wu, 2000; Ye, 2000; Fang, 2006) as well as informal (Murphy, 1995, 1998; Trevino et al., 1990, 1992, 1999, 2000; Laufer and Robertson, 1997) institutional measures of business ethics implementation (Belak and Milfelner, 2011). Especially, high importance is given to the formal measures of business ethics implementation due to the research results on correlation between formal measures and performance (Morris, 1997; Verschoor, 1998; Wu, 2000; Ye, 2000; Fang, 2006), which revealed that enterprises with well developed formal measures of business ethics implementation recorded better performance. Enterprises

*Corresponding author. E-mail: jernej.belak@uni-mb.si.

that stress ethics have better images and reputation and yield higher long-term interests. The research showed that employees' ethical awareness and decision making intent are influential on company performance, where in the absence of ethics, the individuals tend to promote their self interests at the expense of others in the enterprise when resources are unevenly distributed.

Since family businesses are characterized by less formal mode of operating, the possession of less formal policies, rules and codes, the presence of implicit assumption of moral and ethical behavior among members (Adams et al., 1996), and by the existence of emotional and informal decision making (Mandl, 2008), we would expect the higher presence of informal measures of business ethics implementation in family businesses. Therefore, the main research question addressed in our research is: whether and to what extent a family influences the emergence and presence of informal and formal institutional measures of business ethics implementation?

We argue that our research is important for at least two reasons. First, the field of our research (that is business ethics implementation) is particularly relevant in today's difficult economic conditions which are (also) the results of unethical behavior of many enterprises (that is, especially their managers and owners). It is important to emphasize that MER model of integral management considers business ethics (and with this, enterprise's focus "to human") as one of the enterprise's key success factors (Belak and Milfelner, 2011). Second, family enterprises are important players in world economy (Mandl, 2008), thereby, contributing to the wealth of the national and world economy. Even though there is a growing body of knowledge about family businesses, the research on family businesses' ethical behavior is still in its initial stage. The research, presented and discussed in this contribution, aims to improve our understanding of informal and formal measures of business ethics implementation in family businesses, especially in comparison to non-family businesses. This argued importance can be supported also by the Witbooi et al.'s (2011) opinion that human capital elements of the entrepreneurs such as family-environment, education, age, work history, role models and support networks have been identified to contribute to the business venture success.

For empirical testing, we selected Slovenia, the EU member, one of the most developed former European socialist countries. The findings of our study may have implications for other cultures with a similar make-up since there is a common belief that, organizations that have developed within similar environments usually have similar cultures and related mindsets with regard to how they do business (Oney-Yazici et al., 2007). The importance of such researches in developing countries can also be supported by Sobhani et al.'s (2011) opinion that corporate disclosure is being increased in developed

countries, where on the other hand it is lagging in developing countries.

In order to explore the complex relationships between family involvement in the business and the measures of business ethics implementation, we briefly discuss the underlying theories and concepts, reviewing and discussing the existing research on family businesses, as well as developing hypotheses. From subsequent discussion, we outline the most significant conclusions and suggest direction for future research.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Implementing business ethics ought to be part of a change in enterprise policies embedded in workplace routines. In implementing enterprise ethics, Murphy (1998) distinguishes between formal and informal organizations. Other academics and acknowledged researchers, as well as scientists (Trevino et al., 1990, 1992, 1999, 2000; Laufer and Robertson, 1997), have developed methods for implementing enterprise ethics and divided them into three categories: the formal method (or control) that includes training and courses on the subject of ethics, means of enforcement, conferences and ethics officers; the informal method that includes an example, set by the manager and social norms of the organization; and the personal method which encompasses controls that lie within the individual rather than those determined by the organization (that is, the personal ethical standards of an individual).

According to Thommen (2003), measures of business ethics implementation can be divided into two groups: institutional and structural measures. Under the term "institutional measures", Thommen (2003) understands measures and instruments that support enterprise credibility strategy implementation, such as: code of ethics, enterprise culture, SA8000, and human resource measures. In general, he divides institutional measures into preventive and support measures. The first group of measures gives all enterprise stakeholders the direction of behavior: it supports the proper way of functioning, on one side, and imposes sanctions for improper behavior, on the other. The purpose of preventive measures is obviously to prevent non-credible behavior. The second group of measures, the support measures, helps and supports the credible behavior. This group of measures enables the maximum credible functioning of the enterprise and creates an optimal environment for obtaining credible functioning.

In accordance with these findings, Morris et al. (2002) developed the framework of ethical structures, which originates from core values. In the authors' opinion, ethical behavior of an enterprise is not possible without the implementation of ethical core values. Belak's (2009) framework of business ethics implementation examines

the informal and formal measures of business ethics implementation, containing Thommen's (2003) institutional as well as structural measures of business ethics implementation, measures and instruments as defined by Morris et al. (2002) and measures as defined by other relevant literature on business ethics implementation (Murphy, 1995, 1998; Trevino et al., 1990, 1992, 1999, 2000; Laufer and Robertson, 1997).

In our research framework, we determined ethical core values that enterprises follow, ethical climate as the atmosphere needed for ethical behavior, and enterprise culture that also defines the rules of ethical behavior, as the sole base and starting point of emergence of formal as well as informal measures of business ethics implementation. Based on the Thommen's (2003) model of credibility strategy implementation, developmental framework of ethical structures developed by Morris et al. (2002) and framework of business ethics implementation developed by Belak (2009) and some other measures as defined by other relevant literature on business ethics implementation (Murphy, 1995, 1998; Trevino et al., 1990, 1992, 1999, 2000; Laufer and Robertson, 1997), the theoretical framework of our qualitative research was made and is discussed further. It also presents the foundation for the empirical part of our research.

Informal measures of business ethics implementation

Informal ethical structures are crucial for the emergence and actualization of formal ethical structures (Morris et al., 2002). Formal ethical structures cannot emerge if there is an absence of managerial concern about ethical problems or sincere ethical communication between management and employees. Furthermore, employees need to discuss ethical topics and as a sign of approval of ethical behavior, such employees should be rewarded. Typical of informal ethical structures are various stories, legends and myths about the ethical behavior of individuals, communicated within a business. Morris et al. (2002) define informal ethical structures as structures that affect the atmosphere in a business.

Informal methods play an important role in the socialization process, in which "other employees" or people, co-workers, etc., play a major role as sources of, or references for ways of thinking, feeling, perceiving and evaluating and as an audience which may be physically present or absent in any interaction, but towards which an actor orientates their conduct (Casell et al., 1997). Mechanisms of informal control may include a social dimension through which superiors regulate the behavior of subordinates, or employees regulate the behavior of their peers through daily interaction in compliance with the enterprise's norms or values. Adam and Moore (2004) argue that informal methods such as the social norms of the enterprise may reflect the enterprise's values and rules of ethics. Enterprise members may be

coerced by other members of the group, peers or superiors, to conform to the social norms. If not, they risk disapproval, or even rejection. In such a way, the social group exerts pressure on the individual to conform to the norms – but only to a limit. Different relationships (for example, between co-workers, superior versus team, superiors and subordinates) may develop in the frame of non-formal meetings such as coffee breaks, lunches, sport, etc. We can see that informal social norms play a crucial role in forming the social order in an enterprise (Adam and Moore, 2004).

Based on the research cognitions discussed earlier in the text, we argue the importance of the following informal measures of business ethics implementation: manager concern/role modeling, candid ethical communication, ethics as a topic of employee conversation, reward and penalty system and communication of stories.

Manager concern / role modeling

Managers have a strong impact on the behavior of their employees. This informal method is labeled as the example set by the manager, which is part of the formation of manager-subordinate relationships. The example set by the manager may be the tool advocated by the philosophy of the enterprise. "The role model" is also one of the roles that managers are expected to perform, since they can set the example for "proper and desirable behavior" for the employee to imitate.

The importance of a manager's clear commitment to ethical values has been subject to much research, showing that it is especially important for top management/leaders to demonstrate ethical behavior. Trevino et al. (2000) distinguish two pillars of ethical leadership. The first pillar is a moral person with traits (for example, integrity), proper behavior (for example, does things in the right way) and decision making (incorporates values). The second pillar is a moral manager with several supportive characteristics, one of which is being a visible and positive role model in the firm. The importance of top management being good role models has been noted by other established researchers as well (Cavanagh and Moberg, 1999; Morris et al., 2002). Managers who engage in immoral behavior encourage subordinates to do the same. Their words about ethics and morality will therefore not be taken seriously. Cook (1999) recognized that this is a significant problem, especially in start-up enterprises.

Candid ethical communication

Trevino's (2000) research establishes that another supportive characteristic of a moral manager is the ability to communicate about ethics and values with other members of the enterprise. The author argues that the message that values should guide all decisions must begin at the top. Furthermore, communication of

management on all levels is necessary to close the gap between what is said and what is actually done in the firm. Candid communication is the only way to inspire employees and build their trust.

Ethics as a topic of employee conversation

Informal conversations among employees play an important role in the ethical life of the firm (Trevino and Nelson, 1999). This role can be viewed as positive, resulting in support for formal ethics activities, or negative, resulting in indifference or active resistance among employees.

Reward and penalty system

A reward system is an important tool in rewarding the employees on specific occasions when they positively resolve conflicts or dilemmas by implementing ethical behavior. Trevino and Nelson (1999) argue that the ethics implementation tool should be used to a limited extent – but is important in influencing the preferred types of behavior in the future. One such type is exemplary behavior, a specific individual act that goes beyond management expectations and reflects the core values of the enterprise. On the other hand, such a system must assign punishment for misbehavior. Sanctions for code violations are necessary and must be enforced to the letter of the code (Trevino and Ball, 1992). Managers who avoid disciplinary situations may be sending a powerful signal to their subordinates that misbehavior is acceptable.

Communication of stories about ethical employees

Employees who go out of their way to exemplify the core values are heroic figures, worthy of recognition in the enterprise. The mechanism for doing this is telling stories (Breuer, 1998). By transmitting what is proper behavior throughout the enterprise, they serve as an important resource for ethical purposes. Stories may be told about ethical leaders or by leaders to provide appropriate examples for others to emulate.

These argued and discussed informal measures of business ethics implementation (manager concern/role modeling, candid ethical communication, ethics as a topic of employee conversation, reward and penalty system, and communication of stories) were examined in our empirical research.

Formal institutional measures of business ethics implementation

Formal ethical structures are considered as concrete and

direct measures that establish ethical behavior such as mission statement, a code of conduct, policy manuals for ethical issues, anonymous hotlines, ethical standards, managers responsible for ethical issues, training programs on ethics and sanctions for transgressions.

The formal measures of business ethics implementation define several criteria for an effective compliance program (Laczniak and Roberson, 1999; Morris et al., 2002; Thommen, 2003): a statement of enterprise's core values, a compliance manual, a code of conduct, a mission statement, anonymous hotlines, job descriptions, selection of employees, training in ethics, evaluation of ethical behavior, an ethics committee, an ethics audit, sanctions for ethics abuse, ethics standards and indexes, policy manuals for ethical issues, an ethics consulting service, an ombudsman and ethic advocate and a manager responsible for ethical issues. These elements are indispensable when communicating moral expectations within the enterprise.

Based on the research cognitions discussed earlier in the text, we argue the importance of the following formal institutional measures of business ethics implementation: core value statement, mission statement, code of ethics, compliance manuals and ethics standards and indexes.

Core value statement

Effective enterprises identify and develop a clear, concise and shared meaning of values/beliefs, priorities and direction so that everyone understands and can contribute. Once defined, values impact every aspect of an enterprise, which has to support and nurture this impact or identifying values will have been a wasted exercise.

Mission statement

A mission statement is a management tool that usually includes the enterprise's values and philosophy (Morris et al., 2002; Bart, 1997; Costa, 1998). According to Costa (1998), this tool is appropriate for enterprises that have a history of integrating values into their decisions, and not suitable for enterprises where such a history does not exist. Wheelen and Hunger (2004) argue that an enterprise's mission statement may also include a business's philosophy about how it does its business and treats its employees. This puts into words not only what the enterprise is now, but also what it wants to become – management's strategic vision of the enterprise in future. In the authors' opinion (Hunger and Wheelen, 2004), a mission statement promotes a sense of shared expectations in employees and communicates a public image to important stakeholder groups in the enterprise's task environment.

Code of ethics

A code of ethics as one business ethics implementation tool has been subject to much research in the past (Mathews, 1987; Murphy, 1995; Trevino, 1990; Morris et al., 2002). The research conclusions show that more than 90% of enterprises have a code of ethics or some type of ethics statement (Morris et al., 2002). Another important research insight is that the mere presence of an ethics code has a positive impact on enterprise ethics (Adams et al., 2001). The code of ethics is an instrument for implementing business ethics within the enterprise, as well as in the enterprise's environment. According to Thommen (2003), the code of ethics is the best known instrument for improving and achieving the enterprise's ethical behavior. It contains ethical principles that should be followed by certain enterprise behavior. Also in Staffelbach's (1994) opinion, the code of ethics is one of the most important instruments for business ethics implementation.

Compliance manuals

Researchers in the field of enterprise ethics realized that many enterprises use compliance manuals to communicate relevant rules, emphasize important policies, or to make these policies understandable (Trevino and Nelson, 1999; Morris et al., 2002). Some researches show that such manuals are widely distributed in large firms (Weaver et al. (1995) did research on a sample of Fortune 500 industrial and service firms).

Business ethics standards and indexes

During the last decade, many varied initiatives and standards regarding enterprise ethical behavior and corporate social responsibility occurred. It is important to emphasize that shared and internationally accepted standards on enterprise ethics do not yet exist. However, there are several standards and initiatives in this field, which should be considered by examining the enterprise's ethical behavior. From the notion of corporate social responsibility (CSR), it is possible to derive the complementary concept of accountability, which means that the enterprise is held accountable for its actions. If enterprises want to manage CSR and sustainability issues and obtain the trust of their social stakeholders, they must not only communicate, but also give concrete evidence that they are committed to continual, long-term improvement. It becomes crucial to measure the enterprise's capacity to meet the stakeholders' needs and to create a balance between what the enterprise offers and what it receives from the social system (Perrini et al., 2006). Many different approaches and the fact that it is generally a voluntary tool that measures the social results of enterprises – and thus subject to the influence of

specific variables of a cultural, political and economic nature – have made it impossible for a generally accepted model of social reporting to develop. To measure the performance of enterprises in matters of business ethics, several ethical indexes have been introduced in North America and Europe: the Domini 400 social index (DSI), the citizens index, the Dow Jones sustainability world, the Jantzi social index (JSI), the Triodos sustainable investment index, the ethical index euro, the Ethibel sustainability system, ASPI Eurozone, the CSR Rank of Slovenian enterprises, as to mentioned some.

These argued and discussed formal measures of business ethics implementation (core value statement, mission statement, code of ethics, compliance manuals and ethics standards and indexes) were examined in our empirical research.

Family businesses' concern about ethics

Family businesses differ from non-family ones along important strategic and organizational dimensions. As the term "family business" implies, the most important differences have something to do with how a family influences the behavior of a firm (Steier and Ward, 2006). Especially, family relationships influence how a family business is governed, structured, managed and transferred to the next generation (Hoffman et al., 2006). Several authors (Dunn, 1994; Kets de Vries, 1993) have explained differences between family and non-family enterprises by pointing out both the advantages (long-term perspective, strong family commitment to the business, supportive personal relations, motivating work environment) and disadvantages (for example, nepotism, family conflicts, succession problems, overlap of family and business interests) of family enterprises.

There is a growing body of knowledge about family businesses and many research studies have been conducted. However, the research in the field of particularities of family businesses' ethical behavior and its comparison to non-family businesses is still in its initial stage. Few studies have examined ethics in family businesses (Gallo, 1998), differences in ethics between family and non-family businesses (Adams et al., 1996), and social responsibility (Dyer and Whetten, 2006; Déniz and Suárez, 2005). Particularities of family business values as well as corporate culture in family businesses are discussed in the literature (Ainsworth et al., 2003; Aronoff, 2004; Astrachan et al., 2002; Dyer, 2003; Denison et al., 2004), but often without sufficient empirical evidence or studies on family versus non-family businesses differences. However, recent research results (Duh and Belak, 2009; Duh et al., 2010) indicate that differences in core values, ethical climate and culture exist between family and non-family businesses. Further, we discuss the main findings from published research on family businesses' ethical behavior as well as on the informal and formal institutional measures of business

ethics implementation measures and tools. Based on the cognitions, the hypotheses are developed.

Results of the empirical research carried out by Adams et al. (1996) indicated that no significant differences exist regarding types of ethical dilemmas encountered, pressure to act unethically, contents of ethics codes, ratings of self and others' ethical behaviors, company responses to ethical problems, sanctions or support for ethics-related behavior, or level of moral reasoning represented by ethical decisions. However, respondents in non-family-owned firms were much more likely to report having a formal code of ethics than those in family-owned firms. According to the authors, one possible explanation lies in less formal mode of operating; in general family businesses have fewer formal policies, rules and codes which govern employee behavior than non-family businesses. Another possible explanation for the lack of ethical codes within family-owned businesses exists -according to the authors - in corporate culture: "...The evolution of the culture within family-owned firms in which family members have a shared vested interest gives rise to the perception of common values and trust among members. This implicit assumption of moral and ethical behavior among members may result in the belief that a formal code of ethics is largely unnecessary and perhaps even anti-ethical to the company culture" (p. 166). The difference in formalization is also supported by the authors' findings that family businesses are more likely to rely on role modeling to encourage ethical behavior and on the informal transmission of behavior norms among members than non-family-owned firms. Thus, non-family-owned businesses appear to rely primarily on formal means, such as an ethics code, ethics training, and sanctions.

Also, the results of the research carried out by Craig and Dibrell (2006) suggest that in family businesses "...values-related topics are usually shared but not formally recorded or openly discussed, yet have powerful and consistent impact on behavior...". Many authors (Sharma, 2004; Klein, 2000) exposed the influential role that family businesses' founders play on family businesses' values; due to their long tenures and the centrality of their positions in their family and firm, founders exert considerable influence on the culture, values and performance of their firms during and beyond their tenure. The fundamental values in family businesses are largely determined by myths and legends centered on certain "reference figures" in the company history (in many cases these are founders) that have attained mythological status due to their pioneering achievements for the company (Roessl, 2005). Therefore, the founder will be a strong factor in determining the ethical standards and climate of the business (Adams et al., 1996).

Considering the theory and research cognitions afore stated, we propose two main hypotheses:

H₁: Informal institutional measures of business ethics implementation are presented to a greater extent in

family than in non-family businesses.

H₂: Formal institutional measures of business ethics implementation are presented to a greater extent in non-family than in family businesses.

In order to test these two main hypotheses several sub-hypothesis are developed:

H_{1a}: Manager concern / role modeling is presented to a greater extent in family than in non-family businesses.

H_{1b}: Candid ethical communication is presented to a greater extent in family than in non-family businesses.

H_{1c}: Ethics as a topic of employee conversation is presented to a greater extent in family than in non-family businesses.

H_{1d}: Reward and penalty system is presented to a greater extent in family than in non-family businesses.

H_{1e}: Communication of stories about ethical employees is presented to a greater extent in family than in non-family businesses.

H_{2a}: Mission statement is presented to a greater extent in non-family than in family businesses.

H_{2b}: Code of ethics is presented to a greater extent in non-family than in family businesses.

H_{2c}: Compliance manuals are presented to a greater extent in non-family than in family businesses.

H_{2d}: Business ethics standards and indexes are presented to a greater extent in non-family than in family businesses.

H_{2e}: Core value statement is presented to a greater extent in non-family than in family businesses.

RESEARCH METHODOLOGY

For our research on differences of informal and formal institutional measures of business ethics implementation of family and non-family enterprises, we used a mixed methods approach which proves to be a useful approach (Bryant, 2008). The use of case studies is suggested in combination with quantitative methods since undertaking of case studies adds qualitative evidence in order to better understand the research results (Déniz and Suárez, 2005). Therefore, we combine a multiple case study approach (Yin, 2003), where replication logic was possible, with quantitative methods. In order to test for differences between family and non-family enterprises, independent samples t-test was applied.

The questionnaire, which was used for conducting interviews, is divided into four parts. In the first part, the following demographic data of enterprises in the sample were collected: legal form, main activity, number of owners, percentage of family ownership, perception of enterprise as a family one, and data on size. In the second part of the questionnaire, we examined the presence of the informal measures of business ethics implementation: managerial concern about ethics, candid communication on ethical issues between management and employees, ethics as a topic of conversation between employees, the existence and importance of a reward and penalty system, as well as communication of "ethical" stories. The questions were close-ended where the respondent defined the presence of the informal measure of business ethics implementation with a yes or no answer.

The third part of the questionnaire was designed to determine the presence and the use of the formal institutional measures of

business ethics implementation: core value statement, written mission statement, code of ethics, compliance manuals, business ethics standards and indexes. The questions were close-ended as well as opened, where the respondent defined the presence of the listed formal measure of business ethics implementation with a yes or no answer. Opened questions were set to clarify the yes or no answers.

Since various authors (Adams et al., 1996; Oney-Yazici et al., 2007) emphasize the firm size as an important source of variation in organizational behavior, we took the firm size as the controlling variable in our research. By controlling for organization size (measured by the number of employees), we were able to determine that similarities and differences in informal and formal institutional measures of business ethics implementation between our two samples were due to company type (family, non-family) and not organization size.

Sampling and data collection

For the purpose of this study, judgmental sampling was used, in which population elements were selected based on the expertise of the researchers. This is one of the important limitations of the research, which has to be addressed. Since no statistical data on family businesses is available in Slovenia, there was no possibility to determine the census from which the possible stratified or quota sample could be drawn. As such, the sample representativeness may be low and the results of the empirical part of the study should be considered as exploratory in their nature. We believe that, by using such a procedure, the representative enterprises of the population were included. Data were collected through in-depth case studies, including face-to-face structured interviews with 49 managers (in many cases, the respondents were also owners) of Slovenian enterprises. The basis for conducting interviews was the pre-designed questionnaire previously discussed herein. In order to achieve the content validity of the questionnaire, some items were adopted from research studies carried out by Belak and Milfelner (2011), Belak and Mulej (2009), Duh and Belak (2009), and Duh et al. (2010). Also, the final measurement instrument was inspected by three academics in the field of management and marketing research. The instrument was tested by potential respondents (top managers from family and non-family businesses) in terms of item understanding and relevance. Since the final items consisted mainly of questions on nominal scale (dichotomous questions), no further testing of validity and reliability was performed.

Due to the absence of statistical data on family businesses in Slovenia - not to mention that a common, widely accepted definition does not exist (Mandl, 2008; Sharma, 2004) - we used two criteria for distinguishing family versus non-family businesses: "majority ownership in one family" and "the enterprise is perceived by the top manager (entrepreneur, owner-manager) to be a family enterprise". The criteria used are consistent with those employed in other studies (Kotey and Folker, 2007); moreover, the perception is closer to the essence approach in defining a family firm (Chrisman et al., 2005), which is based on the belief that family involvement in ownership, governance, and management is only a necessary condition. Thus, two firms with the same extent of family involvement may not be family businesses if either lacks the intention, vision, "familiness" and/or behavior constituting the essence of a family business.

Out of 49 enterprises, 17 (34.7%) were defined as family businesses while 32 (65.3%) were non-family businesses (Table 1). The composition of the sample in terms of the share of family/non-family businesses is quite similar to the estimated share of family businesses in Slovenia. For example, the results of one study on a sample of 263 enterprises in one Slovenian region (Duh, 2003) demonstrated that 44.1% of surveyed enterprises were family businesses, with an estimated share of family enterprises in the

region between 38.1 and 50.1%. Among small and medium-sized enterprises, the estimated share of family businesses was between 41.99 and 52.69% of family businesses (Duh and Tominc, 2005). However, this share is smaller in comparison to the assessments for Europe, where 70 to 80% of enterprises are family businesses; furthermore, these family businesses are on average smaller than the average national company (Mandl, 2008). No data on large family businesses exist in Slovenia.

The size of the examined enterprises was measured by the number of employees, where micro enterprises are enterprises with 0 to 9 employees, small enterprises have 10 to 49 employees, medium-sized enterprises have 50 to 249 employees and large enterprises have more than 250 employees. The distribution of the sample by size is presented in Table 1.

The main business activity of the enterprises examined was manufacturing (7 enterprises), construction (11 enterprises), wholesale/retail (5 enterprises), financial intermediation (7 enterprises), hotels and restaurants (2 enterprises), and "other" (17 enterprises). However, the structure of the sample regarding the activity did not allow for an analysis of the differences in informal and formal measures of business ethics implementation regarding the businesses' primary activities.

RESEARCH RESULTS

Among the examined family (34.7%) and non-family (65.3%) enterprises, we performed our interviews in 11 (22.4%) micro-, 20 (40.9%) small, 11 (22.4%) medium and 7 (14.3%) large enterprises as shown in Table 1, classified on the basis of the Slovenian Companies Act.

Concerning H_{1a} , all 18 respondents from family businesses (100%) claimed that manager role modeling is present in their businesses. Contrary to this only 83.9% of respondents in non-family businesses state the same. Performed χ^2 analysis shows that difference is statistically significant only at $p < 0.10$ ($\chi^2 = 3.233$), however we can give support for H_{1a} .

Frequency of candid ethical communication was measured on scale from 1 (infrequently) to 3 (very frequently). Results show that this type of communication is to a small extent more frequent in non-family enterprises. T test for two independent samples indicate that this difference between the mean values (family businesses mean value: 1.39; non-family businesses mean value: 1.48) is not statistically significant. Therefore the H_{1b} was rejected.

Ethics is a topic of employee conversation in 22.2% of family businesses and in 16.1% of non-family businesses. Despite the fact that conversations about ethics is more common in family businesses, the difference is not statistically significant ($\chi^2 = 0.282$; $p > 0.01$). Therefore, the H_{1c} was rejected.

There are no differences between family and non-family businesses concerning the reward system based on ethical standards. 27.8% of family businesses and 25.8% of non-family businesses reward their employees according to ethical standards. Chi square (0.23) value is not statistically significant. In family businesses non-ethical behavior of employees is however punished more frequently (in 61.1% of cases) than in non-family

Table 1. Distribution of research sample by status (family/non-family) and size.

Status		Size				Total
		Large	Medium	Small	Micro	
Family	Number	1	2	10	4	17
	% Within size	14.3	18.2	50.0	36.4	34.7
	% Within status	5.9	11.8	58.8	23.5	100
Non-family	Number	6	9	10	7	32
	% Within size	85.7	81.8	50.0	63.6	65.3
	% Within status	18.8	28.1	31.2	21.9	100
Total	Number	7	11	20	11	49
	% Within size	100	100	100	100	100
	% Within status	14.3	22.4	40.9	22.4	100

businesses (in 45.2% of cases). Chi square statistics once again is not statistically significant ($\chi^2=0.282$; $p>0.01$) and in accordance to that, H_{1d} was rejected.

Communication of stories about ethical employees does not differ in family and non-family businesses. According to respondents, this behavior can be observed in 55.6% of family businesses and in 54.8% of non-family businesses. Chi square test is not significant ($\chi^2=0.002$; $p>0.01$). H_{1e} was therefore rejected.

More non-family businesses (56.7%) than family businesses (35.3%), have a mission statement. Chi square test shows that that difference between family and non-family businesses is not statistically significant ($\chi^2=1.984$; $p>0.01$). Therefore, H_{2a} was rejected. Concerning the mission statement, it is presented in all large companies, in 63.3% of medium sized companies, 33.3% of small companies and in 33.3% of micro companies. Results of chi square test ($\chi^2=10.135$) suggest that the difference between large companies and medium, small and micro sized companies is statistically significant at $p<0.05$.

22.6% of non-family businesses have a code of ethics, while this document is according to the respondents answers present only in 16.7% of family businesses. Difference is not statistically significant ($\chi^2=0.245$; $p>0.01$). Therefore H_{2b} was rejected.

Compliance manual development can more often be found in family businesses; however the difference between family and non-family businesses is not statistically significant ($t=0.552$; $p>0.05$). H_{2c} is therefore rejected.

None of the businesses in both categories have acquired any ethical standard. Concerning the familiarity of standards, 22.2% of respondents in family businesses and 6.5% of respondents in non-family businesses know Ethical Index Euro (there are no statistically significant differences between both types of businesses); only 5.6% of respondents in family businesses and no respondents in non-family businesses know Ethibel Sustainability

Index (ESI) (there are no statistically significant differences between both types of businesses); none of the respondents in family businesses and only 1 respondent in non-family enterprise know Aspi Eurozone (advanced sustainable performance indices), also in this case, there are no statistically significant differences; 66.7% of respondents in family businesses and only 29.0% of respondents in non-family businesses know Slovenian corporate social responsibility index, which means that family businesses statistically differ from non-family businesses; only a small number of respondents in both family (11.1%) and non-family businesses (12.9%) know Social Accountability 8000 (SA8000) index.

According to these results, we can reject H_{2d} since business ethics standards are not presented to a greater extent in non-family businesses. Quite contrary to that proposition is the fact that more respondents in family businesses in comparison to respondents in non-family businesses know Slovenian corporate social responsibility index.

Core value statement to a greater extent is presented in non-family businesses (38.7% of cases). In family businesses, this percent is only 11.1%. Chi-square test shows that difference is statistically significant at $p<0.05$ ($\chi^2=4.250$). H_{2e} can therefore be supported. 85.7% of large companies have core value statement, while only 9.1% of medium sized, 22.7% of small sized, and 22.2% of micro companies have mission statements. Difference between large and medium, small and micro companies is statistically significant ($\chi^2=13.791$; $p<0.01$).

CONCLUSIONS, LIMITATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

The main aim of our research was to explore the differences regarding the emergence and presence of the informal and formal institutional measures of business ethics implementation between family and non-family businesses and by this, also to improve our understanding

standing of a family influence on measures of business ethics implementation. Our research results show how family and non-family businesses communicate expectation about ethical behavior and exert control over moral decisions made by individuals. However, it should be pointed out that our research results do not enable us to make conclusions on whether individuals in family businesses are more, less or equally as ethical as those in non-family businesses.

The majority of the stated hypotheses (eight out of ten) were rejected. This may be due to; 1) too small sample connected to the problems already mentioned in the empirical part of the paper or 2) due to conditions related to the situation in the Slovenian economy, which is still one of the emerging Central European economies in transition. Such research results, which partially differ from the prevailing theory, which is in great part developed in countries with tradition of market economy and entrepreneurship, are still important since insights from emerging economies can provide a suitable venue for testing existing theories (Meyer and Peng, 2005) and provide new management implications.

However, the presence/non-presence of studied measures enable us to make some conclusions regarding efforts which are undertaken in studied enterprises in order to behave ethically. Our research revealed only two statistically significant differences between family and non-family enterprises regarding informal and formal measures of business ethics implementation, which are role modeling and the core value statement. The role modeling is presented to a greater extent in family than in non-family businesses; the results are very similar to those of Adams et al. (1996). The results also revealed that this measure is the most popular measure of encouraging ethical behavior in family as well as in non-family businesses. The core value statement is presented to a greater extent in non-family than in family businesses, which reflects the less formal mode of family businesses functioning (Adams et al., 1996). The research results show no statistically significant differences in other examined measures between family and non-family enterprises. However, research results revealed that certain informal as well as formal measures of business ethics implementation are used to a greater extent to encourage and control ethical behavior than others. Besides role modeling which is used in the majority of the examined enterprises, the communication of stories about ethical employees as well as punishment of non-ethical behavior is presented in more than half of the examined enterprises. Other informal measures are presented infrequently (that is, candid ethical communication) and emerged in only around one fifth of the examined enterprises (that is, ethics as a topic of employee conversation and reward system). The most used formal measure of business ethics implementation is the mission statement with the ethical content which is presented in half of the examined enterprises. Other formal measures are poorly presented (core value statement,

compliance manual) and relatively unknown to the examined enterprises (code of ethics).

The results of our research are based on self-assessments, which were the only possible alternative and unfortunately could not be questioned or tested by outsiders' evaluation, especially in the case of informal measures of business ethics implementation. The research presented herein serves as the first step toward an in-depth study of differences in informal and formal institutional measures of business ethics implementation between family and non-family businesses. We see our findings (with all limitations taken into account) as preliminary in nature, with further empirical work needed. Important limitation of the present research, which would have to be considered in the results interpretation and in the future research, is in our opinion the judgmental sample used in the research due to no census data on family businesses in Slovenia. Also, the present research results have to be understood in terms of emerging economy, which has its own specifics.

Future research should be oriented toward examination of the effectiveness of formal and informal measures of business ethics implementation. These measures should not be studied in isolation; Kaptein and Schwartz (2007) call attention to the studies of the Ethics Resource Centre which found that when the implementation of the code of ethics is not supported by other measures, it had negative effect on employee perception of ethical behavior in the workplace. When a code was supported by ethics training and ethics office, it has a positive effect on employee perception. The future research should also reveal the differences in the effectiveness of studied measures between family and non-family businesses. Even though our research results show statistically significant difference regarding the presence and emerging of measures of business ethics implementation between large, medium-sized, small and micro enterprises only in the case of two measures (that is, mission statement with ethical content and core value statement), we believe that more research should be done considering the correlation of size and measures of business ethics implementation as well as their effectiveness. Recent research cognitions (Belak, 2009; Belak and Mulej, 2009) also show that there is also correlation between enterprises' life cycle stage and the presence and emergence of the business ethics implementation measures. Therefore, we suggest that the future research should consider these cognitions as well as the age and the family business generation (for example, differences between the first and second generation of family businesses). Since our study relates to emerging economy, we recommend carrying out the similar research in European as well as in African settings.

REFERENCES

- Adam AM, Moore DR (2004). The Methods Used to Implement an Ethical Code of Conduct and Employee Attitudes. *J. Bus. Ethics*, 54(3):

- 225-244.
- Adams JS, Taschian A, Shore TH (1996). Ethics in Family and Non-Family Owned Firms: An Exploratory Study. *Family Bus. Rev.*, 9(2): 157-170.
- Adams JS, Taschian A, Shore TH (2001). Codes of Ethics as Signals for Ethical Behavior. *J. Bus. Ethics*, 29(3): 199-212.
- Ainsworth S, Wolfram Cox J (2003). Families Divided: Culture and Control in Small Family Business. *Organ. Stud.*, 24(9): 1463-1485.
- Aronoff CE, Ward JL (2002). Family Meetings: How to Build a Stronger Family and a Stronger Business. *Family Business Leadership Series*, No. 2. Family Enterprise Publishers.
- Aronoff C (2004). Self-Perpetuation Family Organization Built on Values: Necessary Condition for Long-Term Family Business Survival. *Family Bus. Rev.*, 17(1): 55-59.
- Astrachan JH, Klein SB, Smyrniotis KX (2002). The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem. *Family Bus. Rev.*, 15(1): 45-58.
- Bart CK (1997). Sex, Lies, and Mission Statements. *Bus. Horizons*, 40(6): 9-18.
- Belak J (2009). Business Ethics Implementation at Different Stages of the Enterprise Life Cycle. MER Publishing House in Maribor. Maribor.
- Belak J, Mulej M (2009). Enterprise ethical climate changes over life cycle stages. *Kybernetes. Int. J. Syst. Cyb.*, 38(7/8): 1377-1398.
- Belak J, Milfelner B (2011): MER Modell of Integral Management: Culture as Enterprise's Key success Factor. MEB 2011 – 9th International Conference on Management, Enterprise and Benchmarking. Budapest.
- Belak J, Milfelner B (2011): Informal and Formal Institutional Measures of Business Ethics Implementation at Different stages of Enterprise Life Cycle. *Acta Polytechnica Hungarica*, 8(1): 105-122.
- Bryant P (2008). Self-regulation and moral awareness among entrepreneurs. *J. Bus. Venturing*. 24(5): 505.
- Breuer NL (1998). The Power of Storytelling. *Workforce*. 77(12): 36-40.
- Casell C, Johnson P, Smith K (1997). Opening the Black Box: Corporate Codes of Ethics in Their Organizational Context. *J. Bus. Ethics* 16 (10): 1077-1093.
- Cavanagh GF, Moberg DJ (1999). The Virtue of Courage within the Organization. *Research in Ethical Issues in Organizations*. JAI Press.
- Chrisman JJ, Chua JH, Sharma P (2005). Trends and Directions in the Development of a Strategic Management Theory of the Family Firm. *Entrep. Theory Pract.*, 29(5): 555-575.
- Craig J, Dibrell C (2006). The Natural Environment, Innovation, and Firm Performance: A Comparative Study. *Family Bus. Rev.*, 19(4): 275-288.
- Costa DJ (1998). *The Ethical Imperative: Why Moral Leadership is Good Business*. Addison – Wesley.
- Denison D, Lief C, Ward JL (2004). Culture in Family-Owned Enterprises: Recognizing and Leveraging Unique Strengths. *Family Bus. Rev.*, 17(1): 61-70.
- Déniz M de la CD, Suárez MKC (2005). Corporate Social Responsibility and Family Business in Spain. *J. Bus. Ethics*, 56(1): 27-41.
- Dyer WG Jr. (2003). The Family: The Missing Variable in Organizational Research. *Entrep. Theory Pract.*, 27(4): 401-416.
- Dyer WG, Whetten DA (2006). Family Firms and Social Responsibility: Preliminary Evidence from the S&P 500. *Entrep. Theory Pract.*, 30(6): 785-802.
- Duh M, Belak J (2009). The Influence of a Family on Ethical Behaviour of a Family Enterprise. *Acta Polytechnica Hungarica*. 6(3): 35-56.
- Duh M, Belak J, Milfelner B (2010). Core Values, Culture and Ethical Climate as Constitutional Elements of Ethical Behavior: Exploring Differences between Family and Non-Family Enterprises. *J. Bus. Ethics*, 97(3): 473-489. DOI 10.1007/s10551-010-0519-9.
- Duh M, Tominc P, Rebernik M (2009). The importance of family enterprises in transition economies: Is it overestimated? *Eastern Eur. Econ.*, 47(6): 22-42.
- Dunn B (1994). Business and Management Development in Family Enterprises: Starting From a Zero Base. Paper presented at IntEnt 1994, University of Stirling, Scotland.
- Fang ML (2006). Evaluating Ethical Decision-Making of Individual Employees in Organizations-An Integration Framework. *J. Am. Acad. Bus.*, 8(2): 105-112.
- Gallo MA (1998). Ethics in Personal Behavior in Family Business. *Family Bus. Rev.*, 11(4): 325-336.
- Hoffman J, Hoelscher M, Sorenson R (2006). Achieving Sustained Competitive Advantage: A Family Capital Theory. *Family Bus. Rev.*, 19(2): 135-144.
- Kaptein M, Schwartz MS (2008). The Effectiveness of Business Codes: A Critical Examination of Existing Studies and the Development of an Integrated Research Model. *J. Bus. Ethics*, 77(2): 111-127.
- Kets de Vries M (1993). The Dynamics of Family Controlled Firms: The Good and the Bad News. *Organ. Dyn.*, 21: 59-71.
- Klein S (2000). Family business. Theoretical and empirical foundations. Wiesbaden, Gabler Verlag.
- Kotey B, Folker C (2007). Employee Training in SMEs: Effect of Size and Firm Type—Family and Nonfamily. *J. Small Bus. Manage.*, 45(2): 214-238.
- Laufer WS, Robertson DS (1997). Corporate ethics initiatives as social control. *J. Bus. Ethics*, 16(3): 285-307.
- Laczniak GR, Roberson R (1999). Curbing Corporate Crime: Managerial and Ethical Implications of the Federal Sentencing Guidelines for Organizations. *Theoretical Foundations in Marketing Ethics*. JAI Press, Stanford.
- Mandl I (2008). Overview of Family Business Relevant Issues. Final Report, Austrian Institute for SME Research, Vienna. http://ec.europa.eu/enterprise/entrepreneurship/craft/family_business/family_business_en.htm.
- Mathews MC (1987). Codes of Ethics: Organizational Behavior and Misbehavior. *Empirical Studies of Business Ethics and Values*. JAI Press.
- Meyer KE, Peng MW (2005): Probing theoretically into Central and Eastern Europe: transactions, resources, and institutions. *J. Int. Bus. Stud.*, 36(6): 600-621.
- Morris SA (1997). Internal effects of stakeholder management devices. *J. Bus. Ethics*, 16: 413-424.
- Morris HM, Schindehutte M, Walton J, Allen J (2002). The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework. *J. Bus. Ethics*, 40(4): 331-361.
- Murphy PE (1995). Corporate Ethics Statements, *J. Bus. Ethics*, 14:727-740.
- Murphy PE (1998). *Eighty Exemplary Ethics Statements*. University of Notre Dame Press: Notre Dame.
- Oney-Yazici E, Giritli H, Topcu-Oraz G, Acar E (2007). Organizational culture: The case of Turkish construction industry. *Eng. Constr. Architectural Manage.*, 14(6): 519-531.
- Perrini F, Pogutz S, Tencati A (2006). Developing Corporate Social Responsibility: A European Perspective. Edward Elgar, Northampton.
- Poutziouris P, O'Sullivan K, Nicolescu L (1997). The (Re)-Generation of Family-Business Entrepreneurship in the Balkans. *Family Bus. Rev.*, 10(3): 239-261.
- Roessl D (2005). Family Businesses and Interfirm Cooperation. *Family Bus. Rev.*, 18(3): 203-214.
- Sharma P (2004). An Overview of the Field of Family Business Studies: Current Status and Directions for the Future. *Family Bus. Rev.*, 17(1): 1-36.
- Sims RL, Keon TL (1999). Determinants of Ethical Decision Making: The Relationship of the Perceived Organizational Environment. *J. Bus. Ethics*, 19(4): 393-401.
- Sobhani FA, Zainuddin Y, Amran A, Baten A (2011). Corporate sustainability disclosure practices of selected banks: A trend analysis approach. *Afr. J. Bus. Manage.*, 5(7): 2794-2804.
- Staffelbach B (1994). *Management-Ethik*. Bern, Paul Haupt.
- Steier LP, Ward JL (2006). If Theories of Family Enterprise Really Do Matter, So Does Change in Management Education. *Entrep. Theory Pract.*, 30(6): 887-895.
- Thommen JP (2003). *Credibility and Corporate Governance*, 2nd completely revised edition. Versus Verlag, Zurich.
- Trevino LK (1990). A Cultural Perspective on Changing and Developing Organizational Ethics. JAI Press, Greenwich.
- Trevino L, Ball GA (1992). The Social Implications of Punishing Unethical Behavior. *J. Manage.*, 18(6): 751-768.
- Trevino L, Nelson KA (1999). *Managing Business Ethics: Straight Talk About How to Do It Right*. John Wiley & Sons, New York.
- Trevino L, Hartman LP, Brown M (2000). Moral Person and Moral Manager: How Executives Develop a Reputation for Ethical

- Leadership. *California Manage. Rev.*, 42(4): 128-142.
- Verschoor CC (1998). A study of the link between corporation's financial performance and its commitment of ethics. *J. Bus. Ethics*, 17(13): 1509-1516.
- Weaver GR, Trevino LK, Cochran PL (1995). Corporate Ethics Practices in Mid-1990's: An Empirical Study of the Fortune 1000. *J. Bus. Ethics*, 18(3):283 - 294.
- Westhead P, Cowling M (1997). Performance contrasts between family and non-family unquoted companies in the UK. *Int. J. Entrepr. Behav. Res.*, 3(1): 30-39.
- Westhead P, Cowling M (1998). Family Firm Research: The Need for a Methodological Rethink. *Entrepreneurship Theory Pract.*, 23(1): 31-56.
- Wheelen T, Hunger D (2004). *Strategic Management and Business Policy*. Pearson Education, New Jersey.
- Witbooi M, Cupido C, Ukpere WI (2011). Success factors of entrepreneurial activity in the Overberg region of Western Cape, South Africa. *Afr. J. Bus. Manage.*, 5(5): 1936-1941.
- Wu CF (2000). The relationship among ethical decision-making by individual, corporate business ethics, and organizational performance: Comparison of outstanding SMEs. *SMEs Large Enterp.*, 45(4): 291-307.
- Ye KD (2000). The impact of information asymmetry situation on R&D's work ethics perception. *Asia Pac. Manage. Rev.*, 5:2.
- Yin KR (2003). *Case Study Research, Design and Methods*. Third Edition, Sage Publications. International Educational and Professional Publisher, Thousand Oaks, CA.