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Analyzing organizational performance of family and non-family businesses using the HPO framework

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Abstract

Purpose – Many businesses in the world are family-owned. A family-owned business differs from other types of businesses in several ways, because it is composed of both a family and a business. A recurring question in management research has been: which type of business performs better, the family-owned or the non-family owned? An alternative question which in this respect can also be asked, in the light of the high-performance organization (HPO) theory which has become popular these past years, is: which type of business is more likely to become and stay high performing, the family-owned or the non-family owned? To try to answer these questions, many studies have been done in which the performance of family firms was compared with firms that have no family ties, but these studies gave mixed results and conflicting opinions. The paper aims to discuss these issues.

Design/methodology/approach – It seems evident that a new research approach is needed. A way forward is to use the HPO concept which looks at the factors important for an organization to become an HPO. Thus, the research question which this study attempts to answer is: are there differences in performance between family and non-family businesses, and if so, can these be traced back to differences in the way these businesses deal with the factors of high performance? The research used the HPO questionnaire and interviews to collect data at Palestine family and non-family owned businesses.

Findings – The research shows that Palestine non-family businesses significantly outperform family-owned businesses. Family businesses thus seem "a living paradox." Balancing family interest and business interest often requires a compromise between family and business goals. It seems that Palestinian family businesses focus more on family interest by putting the goal of survival and "keeping the business in the family" above (short-term) financial goals. Family businesses might also feel more that the company's money is the family money, and as a result their investment and expenses strategies are more conservative thus missing possible economic investment opportunities.

Research limitations/implications – The study results add to the current debate in the literature about which type of business performs better, and at the same time they add knowledge because if there are differences these might be explained by the factors of high performance. In this vein, the study results also contribute to the literature on high performance, as the HPO framework has not been used before for this type of comparative research.

Originality/value – The study results have practical value because they yield knowledge about the ways to organize a business so it can achieve high organizational results which is of great value to managers attempting to make their organizations perform better.

Keywords High performance organizations, Organizational performance, Family businesses, Palestine

Paper type Research paper

Introduction

Many businesses in the world are family-owned (Duh, 2010; Kraus *et al.*, 2011). A family-owned business differs from other types of businesses in several ways, because it is composed of both a family and a business. For instance, families and businesses exist for different reasons. The family's primary concern is the care and raising of family members,

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while the business' main concern is the production and marketing of goods and services. However, although the family and the business are in principle separate institutions, each with its own members, goals, and values, they do overlap in practice. Therefore decision making in this type of business often involves a mixture of family and business values (Abuznaid, 2014). In addition, there is always competition between business and family: which comes first, the family or the business? Most families are accustomed to making sacrifices for the good of their businesses, they usually tolerate inconveniences and disruptions to family life. However, sometimes the tension between business' interests and family's interests is so persistent and severe that the family has to decide which comes first.

A recurring question in management research has been: which type of business performs better, the family-owned or the non-family owned? (Kraus *et al.*, 2011). An alternative question which in this respect can also be asked, in the light of the high-performance organization (HPO) theory which has become popular these past years (de Waal, 2012a), is: which type of business is more likely to become and stay high performing, the family-owned or the non-family owned? The answer to this question is interesting because it yields knowledge about the ways to organize and structure a business so it can achieve high organizational results, i.e., according to business or to family-owned principles. To try to answer this question, many studies have been done in which the performance of family firms was compared with firms that have no family ties, but these studies gave mixed results and conflicting opinions regarding the impact of the family connection (Duh, 2010). It seems that the extant literature does not give conclusive evidence regarding the performance differences between family and non-family owned businesses. It therefore seems evident that to further investigate this issue, a new approach is needed. A way forward is to use the HPO concept which looks at the factors important for an organization to become an HPO. The HPO in this respect is defined as an organization that achieves financial and non-financial results that are exceedingly better than those of its peer group over a period of time of five years or more, by focusing in a disciplined way on that what really matters to the organization (de Waal, 2012a, b). Thus, the research question which this study attempts to answer is:

RQ1. Are there differences in performance between family and non-family businesses, and if so, can these be traced back to differences in the way these businesses deal with the factors of high performance?

This study used de Waal's HPO Framework (de Waal, 2012a, b), as this framework in previous research has been validated and used in many settings, including Palestine where this study took place (de Waal and Sultan, 2012). The research was exploratory of nature, because de Waal's HPO Framework had not been used in the context of family vs non-family owned businesses. Thus, an exploratory research method was deemed appropriate as we dealt with a new phenomenon in the research area of organizational improvement (Robson, 2002). The study results have both theoretical and practical contributions. They add to the current debate in the literature about which type of business performs better, and at the same time they add knowledge because if there are differences these might be explained by the factors of high performance. In this vein, the study results also contribute to the literature on high performance, as the HPO Framework has not been used before for this type of comparative research. The study results also have practical value because, as mentioned before, they yield knowledge about the ways to organize a business so it can achieve high organizational results which is of great value to managers attempting to make their organizations perform better.

The remainder of this paper is structured as follows. In the next section, the literature on differences in performance between family and non-family businesses is summarized. This is followed by an overview of family businesses in the Palestinian context, which is our research setting. After this, the HPO Framework and the research approach are described. Next, the research results are given and analyzed. The paper ends with a conclusion, limitations of the study, and possibilities for future research.

Family vs non-family businesses

In the literature different criteria to classify a business as a family business can be found (Duh, 2010; Kraus *et al.*, 2011). The first frequently used criterion is whether members of an emotional kinship group perceive their firm as being a family business (Gasson *et al.*, 1988; Ram and Holliday, 1993). Thus, firms who answer affirmatively to the question: "Do you consider this business to be a family business?" are considered to have satisfied this criterion. The second criterion relates whether a firm is managed by members drawn from a single dominant family group (Westhead *et al.*, 2001). This criterion is considered met if a firm responds affirmatively to the question: "Do you consider this business to be a family business because family members are working directors or proprietors?" A third criterion looks at whether the family holds more than 50 percent of the shares in the firm (Cromie *et al.*, 1995; Westhead *et al.*, 2001). This criterion is considered satisfied if a firm reports that more than 50 percent of its equity is held by the family, either working or non-working, for at least one year.

The main difference between a family business and other types of businesses is that the former needs to deal with two, sometimes conflicting, reference systems: the family (the emotional) and the company (the professional) system. For instance, family members may have competing goals and values, caused by complex conflicts and family dynamics that originate from the psychosocial history of the family (Dyer, 2006). Family business members may have to play several roles simultaneously, causing role ambiguity and inter-role conflict. There is often an overlap between ownership, the board and top management because the same people from the family are present in all three forums (Gersick *et al.*, 1997; Mustakallio, 2002) which is unusual in other types of organizations where separation of roles is the norm. The informal relationships of the family dominate formal explicit relationships when trust, loyalty and family ties are important for advancing the businesses (Habbershon and Williams, 1999). Thus family businesses are characterized by this dominant connection between ownership and governance (Chrisman *et al.*, 2003; Schwerzler, 2014; Westhead and Cowling, 1997).

As stated in the introduction, the literature does not agree on whether family businesses or non-family businesses have higher performance. Jaskiewicz and Klein (2005) reviewed 41 studies that compared family to non-family businesses. From these 41 studies, 25 found that the former outperformed the latter, five reported the opposite, and 11 found no significant difference between the two types of business. Likewise, Smith (2007) found that when size and industry are accounted for, managerial differences between family and non-family businesses are much smaller than portrayed in much of the literature. Several authors do report higher performance by family businesses based on various measures (Anderson and Reeb, 2003; Belenzon *et al.*, 2016; Daily and Dollinger, 1992; Espinoza Aguiló and Espinoza Aguiló, 2012; Neubauer and Lank, 1998; Viswanathan, 2014), while other studies conclude that the differences between family and non-family businesses are not significant (Chrisman *et al.*, 2004; Duh and Tominc, 2006; González *et al.*, 2012; Westhead and Cowling, 1997), or that family businesses perform poorer than non-family businesses (Cucculelli *et al.*, 2014; Morikawa, 2013; Schulze *et al.*, 2003).

Dyer (2006) argues that differences in results are not surprising given the differences in approaches and definitions of family businesses which create confusion (see also Anderson and Reeb, 2003; Duh, 2010; Kotey, 2005; Daily and Dollinger, 1992; Lauterbach and Vaninsky, 1999; Westhead and Cowling, 1997). Another issue making comparisons difficult is that family businesses have objectives they might find more important than achieving certain financial targets. According to Hay and Morris (1984), the desire to pass the business on to the next generation is one of the prime non-financial objectives of family businesses. They emphasize the need to maintain the financial independence of the family in order to have continued independent ownership of the business and, thus, are generally not taking too much risk. Daily and Dollinger (1992) and Reynolds (1995) find that non-family businesses are more likely to pursue aggressive growth-oriented strategies than family businesses. Schwerzler (2014) states that successful family businesses tend to have the family's values and culture deeply embedded into their business strategies, policies and practices, and that their employees do act accordingly. Some researchers (such as Kotey, 2005) suggest that due to corporate governance issues, such as the lack of transparency and accountability in family businesses, these companies have less access to capital needed for growth and therefore often remain relatively small. This suggestion is supported by Jorissen *et al.* (2005) who report that once demographic differences are controlled for, family firms face more long-term financing problems than non-family firms (see also Anderson and Reeb, 2003; Zellweger, 2006).

Family businesses in Palestine

In Palestine (which consists of two parts, the West Bank and Gaza Strip) the lack of a clear political horizon toward peace and reconciliation creates an uncertain economic situation (Bojica *et al.*, 2014; Sabella *et al.*, 2015). This causes high unemployment rates, 27 percent in 2016, among the labor force of approximately 600,000 people (Sabella *et al.*, 2014; PCBS, 2016). Family businesses account for more than 70 percent of Palestine businesses, and thus they play an important role in the Palestinian economy (As-Sadeq and Khoury, 2006; Sultan, 2014). The other businesses in Palestine mainly have the form of partnerships or private corporations (PCBS, 2016). The family businesses form a safety net against the spread of unemployment as, because of political conditions and continuous closures imposed by Israel, Palestinians employees are often prevented from crossing the so-called green line into Israel. This would mean that, without the family businesses, many more Palestinian people would potentially find themselves unemployed (Elmuti *et al.*, 2011). Unfortunately only a minority of Palestinian businesses are established by experienced entrepreneurs. This could potentially mean a threat to their survival caused by a lack of experience, competence, and proper managerial knowledge (Al-Madhoun and Analoui, 2003; As-Sadeq and Khoury, 2006; Sabri, 1999).

This research focuses on the Bethlehem Governorate which is located approximately 10 km south of East Jerusalem. Bethlehem is one of the largest Palestinian governorates with an estimated area of 659 km. Tourism and its related enterprises form the major industry in the governorate as pilgrims come to Bethlehem all year round. The inhabitants of the city have developed a high-quality artisan craftsmanship, mainly of Mother-of-Pearl, Olive Wood, religious and secular items, copper, and hand embroidery. Bethlehem is also well known for its textiles, chemicals and stone manufacturing. Agriculture plays a minor role in the economy of the governorate due to the nature of the mountainous terrain and the geopolitical developments. There are around 6,500 companies which employ up to 20,000 people (Bethlehem Chamber of Commerce and Industry (BCCI), 2016). Family businesses account for 85 percent of all economic entities in the governorate (BCCI, 2016). This research used the extensive data set of Bethlehem Chamber of Commerce and Industry to test for differences in performance of family vs non-family business across the five major sectors in the economy of Bethlehem (construction, manufacturing, services, handcrafts, trading). Selecting the research population from a small geographical area and one population type limits the risk of having a heterogeneous group of businesses which potentially creates contradictory results that are not necessarily explained by differences in type (i.e. family vs non-family) but by different definitions of family businesses (Kraus *et al.*, 2011).

The HPO framework

The HPO framework is a conceptual, scientifically validated structure which organizations can use for deciding what to do to improve their performance and make it sustainable. The framework was developed on the basis of an extensive literature review and worldwide empirical research (see for a description of this research: de Waal, 2006/2010, 2012a, b). The framework consists of five HPO factors, and 35 accompanying characteristics, which have a significant positive relation with organizational performance (see Appendix 1). The HPO factors are:

(1) Management quality. Belief and trust in others and fair treatment are encouraged in an HPO. Managers are trustworthy, live with integrity, show commitment, enthusiasm, and respect, and have a decisive, action-focused decision-making style. Management holds people accountable for their results by maintaining clear accountability for performance.

(2) Openness and action-orientation. An HPO has an open culture, which means that management values the opinions of employees and involves them in important organizational processes. Making mistakes is allowed and is regarded as an opportunity to learn. Employees spend a lot of time on dialogue, knowledge exchange, and learning, to develop new ideas aimed at increasing their performance and make the organization performance driven.

(3) Long-term orientation. An HPO grows through partnerships with suppliers and customers, so long-term commitment is extended to all stakeholders. High potential internal candidates fill vacancies first, and people are encouraged to become leaders. An HPO creates a safe and secure workplace, both physical and psychological.

(4) Continuous improvement and renewal. An HPO has a unique strategy. The organization continuously improves, simplifies and aligns its processes and innovates its products and services, creating new sources of competitive advantage. Furthermore, the HPO manages its core competences efficiently, and sources out non-core competences.

(5) Employee quality. An HPO assembles and recruits a diverse and complementary management team and workforce. This workforce is trained to be resilient and flexible. People are continuously encouraged to develop their skills to accomplish extraordinary results.

An organization can evaluate how it is doing on the HPO factors and characteristics by having its managers and employees fill in the HPO questionnaire. This questionnaire consists of statements based on the HPO characteristics. The respondents are asked to rate their organization on the 35 characteristics on a scale of 1 (the organization does not satisfy the characteristic at all) to 10 (the organization satisfies the characteristic completely). The individual scores are converted to average scores on the HPO factors and characteristics for the complete organization. These average scores indicate for which factors and HPO characteristics the organization needs to implement improvements to become an HPO. The HPO questionnaire makes it thus possible to evaluate the level of high performance of family and non-family businesses, and to gauge which HPO factors and characteristics might explain possible differences between performance levels.

Research results and analysis

Research method

The research used the HPO questionnaire and interviews to collect data. According to the Bethlehem Chamber of Commerce and Industry (2016) the total number of economic entities working in the Bethlehem Governorate was 6,374 at the end of 2014. Of these entities 1,493 had at least five workers. We took businesses with this minimum number of workers to make sure that there was at least one manager present, as the HPO Framework explicitly deals with the quality of managers and employees. From these 1,493, approximately 85 percent were family-owned entities. The Bethlehem Chamber of Commerce and Industry helped to distribute the HPO questionnaire, via e-mails, to the members in their database. In total 150 completed questionnaires from family businesses and 50 from non-family businesses were received. As described above, managers/owners of the Bethlehem enterprises were asked to rate their business on the HPO characteristics. In addition, the questionnaire asked the respondents about the type of their business (family/non-family), economic sector they were working in (i.e. trade, industry, etc.), and the competitive performance of their business during the last five years in comparison to their main competitors (answering options: better, the same, worse). In regard to the latter, this method of measuring competitive performance was used in the original HPO research (de Waal, 2012b), and is also applied here because many studies have shown that the subjective measure of respondents' perception of organizational performance is a good proxy of real organizational performance as these studies found strong correlations between perceptual and objective performance data. In other words, the perception of respondents on how well their firm performed (measured in a subjective and relative way) was consistent with how the firm actually performed (Dess and Robinson, 1984; Bommer *et al.*, 1995; Heap and Bolton, 2004; Wall *et al.*, 2004; Vij and Bedi, 2016). In addition three interviews with key stakeholders, the chairperson of Bethlehem Chamber of Commerce and Industry, the general director of industry at the Ministry of National Economy, and the general director of customs at the Ministry of Finance and Planning, were conducted to discuss the results from the HPO questionnaire. These were semi-structured interviews with the aim to obtain additional information on the performance of the family and non-family businesses. Finally, a focus group was conducted at the Bethlehem Chamber of Commerce and Industry where 15 representatives of family and non-family businesses met for an hour to discuss the results of the HPO questionnaire.

Confirmatory factor analysis (CFA)

A CFA applying STATA version 14 was used to analyze the data. The aim of the CFA was to verify whether the 35 items were indeed proper measurements of the HPO Framework's five dimensions (Albright and Park, 2009). A CFA produces many "fit statistics" to explain the co-variation among the variables in the model, and these fit statistics test all the model parameters simultaneously (Stapleton, 1997). We used χ^2, RMSEA, CFI and SRMR which measure how well the model fits in comparison to no model at all, that is, how well the HPO Framework fits the data collected in the Palestine context. For a confirmation of the model we would expect that: the loadings of the items, on the factors that they intend to measure, would be high and statistically significant; a substantial proportion of the variance in the item scores would be explained by the factors; and loadings of the items on any of the other factors would not improve the model (discriminant validity). In line with de Waal's (2012a, b) earlier works the factors were allowed to correlate with one another. After performing the steps mentioned above, the common goodness-of-fit statistics were checked. Further improvements were achieved by adding covariances for the error terms of items belonging to the same factor; these covariances indicated that any of the factors (or dimensions) might have sub-dimensions that were not specified in the model. In the end, 19 of the original 35 variables loaded well on their corresponding latent constructs. As a last step Cronbach's α reliability statistics were computed for the retained items. Cronbach's α is a coefficient of internal consistency, it measures how closely related our set of factors were as a group (Furr and Bacharach, 2014). The higher the score, the more reliable the generated scale was, with 0.7 being an acceptable reliability coefficient to many researchers (Acock, 2013; Furr and Bacharach, 2014). The HPO Framework showed α values ranging from 0.83 to 0.95 which indicated good reliability coefficients (Acock 2013). Table I provides the results of the CFA.

Removing variables does not imply that these are meaningless for the applicability of the HPO Framework in the Palestine context, but rather, that they are explained by other factors as well thereby violating discriminant validity. The results depicted in Table I show that the HPO Framework is valid for Palestine businesses. The data yielded, with a high reliability, the same five HPO factors as in the original HPO Framework, however with a different set of characteristics (19 instead of the original 35). The items that were dropped from the original HPO scales can be explained from the fact that these original scales were developed on the basis of worldwide collected data (from 50 countries, encompassing both profit, nonprofit and governmental organizations) and thus tailoring to the particular Palestine context that had to take place. To be able to keep the HPO results of Palestine businesses comparable with the HPO results from previous research, both in Palestine (de Waal and Sultan, 2012) and in other countries, we decided to use the original 35 HPO characteristics for the remainder of our analysis.

HPO scores

The factors and characteristics of the HPO Framework are used to evaluate how high performing the family and non-family businesses in the Bethlehem area are. Table II shows the average scores for both types of businesses on the HPO factors.

Previous research has shown that HPOs have an average score of at least 8.5 on all HPO factors (de Waal, 2012a). The results in Table II show that the businesses in the Bethlehem area are not high performing yet. This outcome was not unexpected as the continuous difficult economic circumstances and unstable political conditions in Palestine make it almost impossible to develop an organization in a sustainable manner.

Relative competitive performance

The competitive performance of Palestine businesses was calculated based on the information the respondents gave about how well their organizations performed compared to their peer group (de Waal, 2012b). Competitive performance was measured in the same

HPO factor	Number of original variables	Removed variables	Remaining variables	Cronbach's α
Continuous improvement and renewal	8	v1, v5, v6, v7	v2, v3, v4, v8	0.93
Openness and action orientation	6	v9, v12	v10, v11, v13, v14	0.86
Management quality	12	v18, v19, v21, v22, v23	v15, v16, v17, v20, v24, v25, v26	0.95
Employee quality	4	v29, v30	v27, v28	0.86
Long-term orientation	6	v33, v34, v35	v31, v32	0.83
Total	35	16	19	

Table I. HPO scales and reliabilities for Palestinian businesses

HPO factor	Management quality	Openness and action orientation	Long-term orientation	Continuous improvement	Employee quality
Non-family ($n = 50$)	7.07	7.18	7.14	6.92	7.03
Family ($n = 150$)	4.58	4.39	4.35	4.10	4.20
All businesses	5.26	5.15	5.12	4.87	4.97

Table II. Average HPO scores for family and non-family businesses in the Bethlehem area manner as in de Waal's original HPO research (de Waal, 2012b), as performance of the organization vs its competitors in general over the past five years (possible answers: worse, the same, or better). Table III gives the percentage per answering category that each type of business gave. Table III shows that significantly more non-family businesses than family businesses report better performance than their peers.

Relative competitive performance was subsequently correlated with the scores of the HPO factors for the Palestine businesses. Table IV gives the resulting correlation matrix between the HPO factors and competitive performance of family-owned and non-family owned businesses. The results show, as expected (de Waal, 2012b), that the HPO factors have a positive correlation with competitive performance, i.e., the stronger a Palestine business is on its HPO factors the better it performs against its peer group.

Potential for family-owned businesses

The results in Tables II and III show that family businesses in the Bethlehem area are basically poor performers with low HPO scores. If we perform an "ordered logit" in which we predict the level of relative performance (three ranked categories: low, medium and high) for the type of business and HPO (see Figure 1), it turns out that increasing HPO scores will have more effect in family businesses than in non-family businesses. Of course there is a lot

Table III. Competitive performance per type of business

Performance against peer group	Non-family owned business (%)	Family-owned business (%)
Lower	11.54	55.48
Same	48.08	26.71
Better	40.38	17.81

Table IV. Correlation matrix for HPO Factors and competitive performance

HPO factors/type of business	Management quality	Openness and action orientation	Long-term orientation	Continuous improvement	Employee quality
All businesses	0.550	0.651	0.623	0.511	0.660
Non-family owned	0.572	0.698	0.692	0.534	0.675
Family-owned	0.502	0.620	0.607	0.488	0.597

Note: All correlations are significant for at least < 0.1

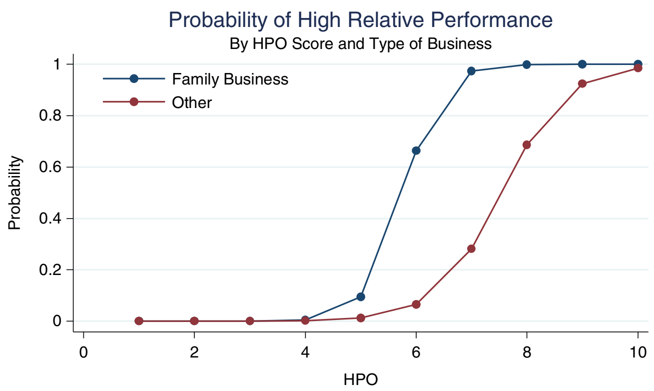

Figure 1. Effect of strengthening the HPO factors on relative competitive performance

to gain for them if family businesses would catch up with their non-family business counterparts for the simple reason that they now score poorly. But in addition, it would be very effective to work on strengthening the HPO factors since the impact of higher HPO scores is higher among family businesses.

This can also be seen from simple scattergrams for ranked relative performance by HPO score, for family and non-family business separately. In Figure 2 we have fitted a regression line (not quite appropriate for ordinal dependent variables but it at least gives an idea). The processes for both type of business are similar; it is just that for family businesses the majority of firms are on the bottom left of the right panel, while for the non-family businesses most firms are top right in the left panel.

Analysis

The results in Tables II and III show that non-family businesses have considerably higher scores on all factors than family businesses. Information gathered during the semi-structured interviews and focus group meeting provide a possible explanation for this outcome. Family businesses have a strong centralization of the decision process. With decisional control resting largely in the hands of fathers or eldest brothers, decision making hardly shows a participatory approach. There is a strong belief among Palestinian family businesses that the inherent privacy of centralized family decision making gives family businesses a strategic advantage because competitors do not have access to information about their operations or financial condition. However, the downside of this is that people working in Palestinian family businesses are largely kept in the dark about the status of the organization and about internal and external developments which can affect the business. As their people lack this information, family businesses might be slow in reacting on threats and opportunities. In addition, there are in this way no good mechanisms for good ideas from lower level people to reach management. So these ideas do not play a role in the decision-making process which takes away the chance on better informed decisions. The discussants mentioned that in practice they indeed see that in general family businesses have fewer employee participatory schemes than non-family businesses.

In regard to relations with external parties, Ashley-Cotleur *et al.* (2000) and Elmuti *et al.* (2011) highlighted the role of the personality of founders of family businesses and their, in general, excellent ability to foster good long-term relationships with suppliers and customers, which goes a long way in explaining the success in the first family generation. This does help in an

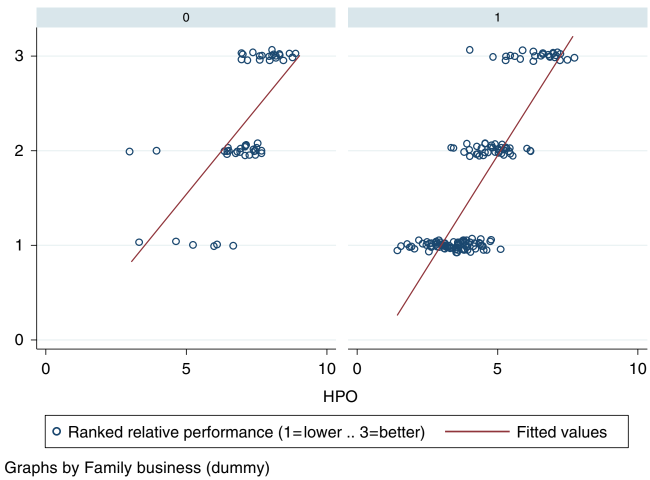

Figure 2. Scattergrams for ranked relative competitive performance per type of business

increasingly complex business world where cooperation between firms is more and more viewed as a key success condition. In this regard, family businesses do cooperate with other firms but often these are local as founders need to have personal up-close relations with these partners. However, as the discussants remarked, the reverse side of this is that family businesses are less internationally focused (i.e. they import and export less), generate less turnover from exports, and take and give fewer licenses to foreign companies because they have less personal relations with these international parties.

An important consideration in family business governance relates to the existence of an additional layer of relationship that the owning/controlling family brings to the business. The various interconnections among the family members might necessitate that much attention has to go to monitoring relationships and keeping these well. This attention can go at the expense of efforts needed for operational affairs, thus hurting performance of the business, as Monsen *et al.* (1968) and Randoy and Goel (2002) found in their research.

Palestinian family businesses are less innovative than non-family business as they tend to stick to the products, strategies and management styles of previous generations that have proven to be successful. This hinders adaptation to new market challenges and opportunities, and management can be "paralyzed" by the backward-looking orientation of the family. Thus, family businesses in general have lower R&D spending relative to non-family businesses. This also goes for spending on employee training performance which is lower in family businesses (Al-Madhoun and Analoui, 2004).

Conclusion, limitations, and future research

Family-owned businesses have traditionally been regarded as the engine room of the Palestinian economy. However, our research shows that Palestine non-family businesses significantly outperform family-owned businesses. Family businesses thus seem "a living paradox." Balancing family interest and business interest often requires a compromise between family and business goals. It seems that Palestinian family businesses focus more on family interest by putting the goal of survival and "keeping the business in the family" above (short-term) financial goals. Family businesses might also feel more that the company's money is the family money, and a result their investment and expenses strategies are more conservative thus missing possible economic investment opportunities.

This study has several limitations. As is always the case with the research based on a questionnaire with self-reported scores, there is the probability of attribution. Also, the study only took place within a limited part of Palestine. Future research could cover businesses from all over Palestine, taking into considerations that the majority of businesses working in Palestine are working informally. Also, future research could delve deeper into the reasons why family-owned businesses perform less than non-family owned businesses by for instance comparing strategies, systems, human resource practices, etc., between the two types of businesses.

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Appendix 1. This appendix lists the five HPO factors and accompanying 35 HPO characteristics

Continuous improvement:

(1) The organization has adopted a strategy that sets it clearly apart from other organizations.

(2) In the organization processes are continuously improved.

(3) In the organization processes are continuously simplified.

(4) In the organization processes are continuously aligned.

(5) In the organization everything that matters to performance is explicitly reported.

(6) In the organization both financial and non-financial information is reported to organizational members.

(7) The organization continuously innovates its core competencies.

(8) The organization continuously innovates its products, processes and services.

Openness and action orientation:

(9) Management frequently engages in a dialogue with employees.

(10) Organizational members spend much time on communication, knowledge exchange and learning.

(11) Organizational members are always involved in important processes.

(12) Management allows making mistakes.

(13) Management welcomes change.

(14) The organization is performance driven.

Management quality:

(15) Management is trusted by organizational members.

(16) Management has integrity.

(17) Management is a role model for organizational members.

(18) Management applies fast decision making.

(19) Management applies fast action taking.

(20) Management coaches organizational members to achieve better results.

(21) Management focuses on achieving results.

(22) Management is very effective.

(23) Management applies strong leadership.

(24) Management is confident.

(25) Management is decisive with regard to non-performers.

Employee quality:

(26) Management always holds organizational members responsible for their results.

(27) Management inspires organizational members to accomplish extraordinary results.

(28) Organizational members are trained to be resilient and flexible.

(29) The organization has a diverse and complementary workforce.

Long term orientation:

(30) The organization maintains good and long-term relationships with all stakeholders.

(31) The organization is aimed at servicing the customers as best as possible.

(32) The organization grows through partnerships with suppliers and/or customers.

(33) Management has been with the company for a long time.

(34) The organization is a secure workplace for organizational members.

(35) New management is promoted from within the organization.

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