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Trust among Family Members in Family Businesses: The Effects of Institutionalization and Family Involvement

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Abstract: Family businesses account for a great proportion of businesses worldwide which makes them of interest for many researchers. Despite considerable research in this area, however, there is little empirical evidence for the claim that family involvement and institutionalization simultaneously affect trust among family members in the family business context. To address this knowledge gap, the researcher investigated the effects of these two subjects on intra-family trust through a pilot study and a primary research examining family businesses in all organized industrial zones within the city of Istanbul, Turkey. The researcher's overall effect expectation was partly answered as the results indicated that some, but not all institutionalization and family involvement factors affected intra-family trust in the context of family businesses. Moreover, these effects were mixed-they were associated with different issues. Top decision-making, especially with the presence of deadlocks, was found out to affect intra-family trust negatively, suggesting that this issue was perceived to be of a higher priority than the trust among family members. Very similar results were reached if the issues were the selection of the next top manager or people to hire. Opposite-positive-effects were witnessed when issues such as succession planning, inter-generational knowledge transfer, employed family member orientation and family members' loyalty towards the business were considered. Implications of the study's findings and suggestions for future research were presented; keeping in mind that besides being limited in many ways, this article was a pioneer in terms of the relationship investigated.

Key words: Trust, family involvement, institutionalization, family businesses, Turkey

INTRODUCTION

Investigating business contexts is noteworthy for a number of reasons. For individuals engaged in business, the primary focus is on using their expertise to achieve and maximize profitability. In the field of business education, it is important to identify the skills and competencies businesses require as well as appropriate ways to transmit this knowledge to students. Despite their vitality, however, the belief that these concerns have partly divorced from the reality of business has motivated many researchers to focus on identifying solutions to real-world business problems.

The wide varieties of problems that arise in a business context make it difficult to choose an appropriate empirical research topic. In addition to many potential business issues, there are many different types of businesses and business groups which introduce further complications into business research. In the present paper, the researcher investigated family businesses because they represent one of the most common types of business and continue to greatly contribute to economic and civil development (Bird *et al*., 2002).

In recent decades, research on family businesses has become a distinct field that has adopted sophisticated approaches (Ayranci, 2014). As noted above, it is important for researchers to identify solutions to real-world problems. However, few studies have investigated the problems family businesses face, although institutions such as the Family Firm Institute have been established to professionalize the field of family business. Reviews of research on family businesses have identified those research studies that focus on real-world issues. For instance, Ayranci (2009) reviewed the family business issues covered in popular international journals for the period from January 1988 to July 2008 and found that approximately 70% of the issues involved professionalization such as institutionalization, internationalization, agency theory, succession planning and strategic management and planning. The review of the Turkish literature revealed a tendency toward professionalization, with half of the Turkish articles and almost one-third of Turkish proceedings focusing on institutionalization. The results of another literature review (Bird *et al*., 2002) were similar; slightly more than half of the research reviewed focused on management, strategy, succession and distinctiveness issues. Consequently, the present study focused on the professionalization of family businesses in Turkey and the effects of family business institutionalization.

The above reviews revealed that many issues facing family businesses (e.g., agency theory, institutionalization and succession) also involve the family. Ayranci (2009) identified relationships among family members and the situations and roles of the family members in the business (family member contributions to the business) whereas Bird *et al*. (2002) employed the term helping the family business, women and family when referring to family business issues. Depending on the issue under investigation, the family is either directly or indirectly involved in a family business; consequently, the present study adopted a generalized approach that examined family involvement in family businesses.

Regardless of the subject under consideration, the socio-emotional realities of families dictate the presence of issues involving trust (Sundaramurthy, 2008), altruism (Karra *et al*., 2006) and love and unity (Lane *et al*., 2006) among family members in the family business environment. Although family involvement influences intra-family trust (Sundaramurthy, 2008), intra-family trust is also affected by institutionalization which transfers certain family members' decision-making power to professional structures (Kiran, 2007). Therefore, institutionalization and family involvement were expected to affect trust among family members simultaneously in the present study,

Definitions and types of family businesses: Family businesses have existed since ancient times (Bird *et al*., 2002) and continue to contribute to global economies. Currently, approximately two-thirds of all businesses worldwide are family businesses which contribute from 70 to 90% of global GDP. Despite their economic importance, family businesses have yet to receive much scientific attention (Bird *et al*., 2002) and family involvement in a business tends to be overlooked, although, the literature acknowledges that almost all family businesses share an emphasis on family (Chua *et al*., 1999). Thus, the role of the family should be taken into consideration when defining, classifying and investigating business issues in family businesses.

The literature reviews discussed above reveal the extent to which the family is considered and identify general patterns that define family businesses. Most definitions are based on family ownership and management. For example, some researchers (Ayranci, 2010) used definitions based on both family majority ownership and management. For other researchers, definitional criteria for family businesses involve family ownership of at least 60% of the standing shares (Donckels and Frohlich, 1991), a voting rights majority (Ward and Dolan, 1998) and whether the chief executive is a family member (McConaughy *et al*., 2001).

Because criteria based simply on ownership or management are too limited for longitudinal investigations of family businesses (Ayranci, 2009), continuity of family ownership or management provides an additional criterion. For instance, a family business exists if the business succession involves the next two generations (Donnelley, 1964) and planned intra-family successions occur (Lee *et al*., 2003). Continuity is inevitably associated with ownership and management because control and potential or actual transfer of control (Sharma *et al*., 2003) are critical for defining a family business.

Classifying this type of business presents another challenge. The concept of generation is typically used as a factor that identifies family businesses. A first-generation family business refers to a business founded and currently managed by a family member (Ayranci, 2009); thus, it is difficult to distinguish between the business and the founder/manager family member (Karpuzoglu, 2000). If a first-generation family business survives, then a succession from the first to subsequent generations is expected over time. A succession plan is usually designed in this case (Ayranci, 2014) and a successful succession plan establishes second-generation family members as business directors and creates a second-generation family business. Although the business might appear to be operated by the second generation, the business might actually remain under the founder's control. For example, the second generation might not exhibit business leadership, forcing the founder to continue to provide management and leadership skills (Barach and Ganitsky, 1995) or the founder might be reluctant to transfer the business to the second generation and insist on directing the business from behind the scenes (Handler, 1990).

Although, a generation-dependent classification appears to be a simple and logical approach, ambiguities might still arise. For example, if multiple generations are formally involved in management, it becomes difficult to make a precise classification. Ambiguity might also arise when different generations fill various positions within the business. For example, when the founder is the chief executive but second-generation family members own the majority of shares, the family business might be categorized as first-generation based on family management but categorized as a second-generation family business based on ownership. Even greater difficulties occur when the earlier generation continues influences the current generation. This shadow effect (Davis and Harveston, 1999) might alter the classification of the business; basing the classification on formal management might categorize the family business as second-generation, although a classification based on a shadow effect might categorize the family business as first-generation. Family structure and different kinship definitions might entirely change the classification of the business based on which generation holds leadership positions.

Family businesses might also be classified based on the identity of the family member who directs the business. Sole proprietorship family businesses are owned and managed by a single family member (Ayranci and Semercioz, 2010); sibling partnerships are owned and directed by sibling family members (Leach and Bogod, 1999); and in more complex family businesses which have been termed cousin consortiums (Gersick, 1997), many family members are found in various positions (Leach and Bogod, 1999). A comparison among these different types of family businesses reveals that the conservativeness of business policies declines from sole proprietorships to complex family businesses (Alayoglu, 2003); in more complex family businesses, professional management is more heavily favored (Dyer, 1989) and the increase in the extent of family involvement in the business (Dyer, 2006) requires more detailed regulations regarding business procedures (Leach and Bogod, 1999). A drawback of a classification based on the number of family members participating in the business automatically involves the generation factor, making it difficult to unambiguously categorize family businesses.

A straight forward method to identify family businesses: Family involvement: Resolving definition and classification problems involves considering family involvement within the business context. There is considerable research on this issue and some researchers (e.g., Henssen *et al*., 2011) argue against a dichotomous approach to distinguish between family and non-family businesses. Instead, identifying a business as a family business should be based on the extent and nature of family members' involvement in the business (Astrachan *et al*., 2002; Ayranci, 2009; Dyer, 2006) because family involvement enables the family to influence issues which produces family control and the emergence of a family business.

Family involvement is not limited to family ownership and management but is a larger concept, particularly when the family informally influences the business. From this perspective, family involvement is addressed by two general approaches (Chrisman *et al*., 2005). The components (demographic) approach (Basco, 2013) focuses on the components of formal family involvement such as family status with respect to management and ownership (Ayranci, 2009).

The essence approach acknowledges that certain family members such as founders (Handler and Kram, 1988), successors (Handler, 1990) and spouses (Kaye, 1999) formally or informally influence business operations and thus the business itself. This approach identifies the need to focus on the effects of family member interactions on the business (Ayranci, 2009; Basco, 2013). Consequently, this approach proposes that family dynamics affect the business as well as the family.

Compared with the components approach, the essence approach seems to be of greater scientific interest for several reasons. Although, family involvement might be more easily represented in the components approach (Henssen *et al*., 2011), this approach considers only formal and potential effects of the family on the business (Dyer, 2006). Family members might be reluctant to become involved in certain business-related issues and might partially or completely refrain from using their formal power in those cases (Ayranci, 2009; Ayranci and Semercioz, 2010). In contrast, the essence approach extends the components approach by explicitly addressing the factor of psychological ownership (Sieger *et al*., 2011). Whether family members formally act as owners or managers, they might experience strong feelings of ownership toward the business that influence their attitudes toward business issues.

The above considerations reveal that family involvement cannot be fully accounted for by either the components or essence approach alone; the approaches complement each other. Evidence supporting this complementarity indicates that psychological ownership cannot emerge in the absence of legal ownership (Pierce and Jussila, 2010). Thus it is important to address the question of assessing family involvement within family businesses through an instrument that combines both approaches.

When it is assumed that family involvement is a continuous variable, the extant literature provides very few solutions. One example is the Family Index which includes the percentage of family members engaged in management and ownership (Alcaraz, 2004). The index assumes that family involvement in ownership and management is necessary for a family business (Handler, 1990); however, it fails to address the uniqueness-the essence-of family businesses. A bidimensional construct with ten subscales, the Aspen Family Business Inventory, is also relevant, although this validated instrument (Moncrief *et al*., 2006) distinguishes between family and business issues (Craig, 2003).

Among the few instruments available, Astrachan *et al.* (2002) multidimensional Family-Power, Experience, Culture (F-PEC) instrument which monitors family involvement while concurrently noting the business, is often cited in the international literature (Alcaraz, 2004; Huang *et al*., 2013) and modified versions have been used in country-based family business studies, such as studies on Turkey (Ayranci, 2009; Ayranci and Semercioz, 2010; Ayranci, 2014), Vietnam, Mexico (Alcaraz, 2004) and India (Maheswari *et al*., 2013).

Institutionalization in family businesses and the issue of trust: Institutionalization which has been the subject of scientific research since the early 1900s, is based on the view that institutions are mission-specific and distinct entities (Selznick, 1949). Since that time, the institutionalization process has been investigated from different perspectives. Despite the various perspectives adopted, investigations of institutionalization in family businesses and related studies can be categorized into two groups. Researchers interested in professional management investigate the existence of rules and procedures within family businesses and primarily focus on the formal side of institutionalization. In contrast, other researchers investigate the informal issues related to institutionalization that are pertinent to familiness-the family norms, values, beliefs and relationships that also affect the business (Gersick, 1997).

Even when research focuses primarily on formal features, the family and family characteristics cannot be ignored. For example, implementing professional management in family businesses is challenging due to the need to deny family claims, particularly when non-family managers are hired (Dyer, 1989). Some researchers claim that non-family managers are needed to provide logical, objective, systematic, true professional management without family interference (Gersick, 1997). However, research from an agency theory perspective claims that when professional management is combined with ownership, family businesses are able to outperform non-family businesses (Daily and Dollinger, 1992), although this combination is harmful when family chief executives are too inclined to favor family member managers. These considerations reveal that professionalization creates a dilemma regardless of family ownership and management (Stewart and Hitt, 2012).

Despite these conflicting claims, longitudinal research indicates that family business succession can motivate a transition to professional management when the succession process is planned and properly executed. Subsequent generations usually favor specific, formal rules for managing the business and are more likely to accept the guidance of non-family professional managers (Suarez *et al*., 2001).

The Turkish context emphasizes formal aspects of institutionalization. Some Turkish researchers regard a first-generation family business as institutionalized to the extent that business characteristics resemble characteristics of the founder that are distinct from similar businesses (Karpuzoglu, 2000). Improvements in Turkish family businesses might produce conflicts between family and business values and the loss of the founder's dominance over the business might also open the way to professionalization (Ayranci, 2009). Family members' professionalization is claimed to hinder institutionalization (Alayoglu, 2003) because Turkish families have strong ties that might make it impossible to reduce family influence despite the efforts of professional non-family managers (Ayranci, 2009). There are also claims that succession favors institutionalization because it creates the opportunity to shift to professional management. These findings reveal that family characteristics informally affect Turkish family businesses. It should be noted that studies focusing on the informal effects of the family on institutionalization typically occur in developing countries (Lin and Si, 2010) such as Turkey. The combination of unstable governmental researcherity and inadequate professional rules, norms and relationships in developing countries increase business costs (Steier, 2009) and family businesses depend on informal institutions such as family norms, networking and governance to survive (Mbebeb, 2008). This dependence produces exchanges among family members that include altruism, support and trust which all involve familiness. Not surprisingly because the business is perceived as a part of the family, business rules must adhere to family norms (Mbebeb, 2008).

Thus family business institutionalization cannot be separated from the family which reveals the importance of trust. Trust which is defined as the willingness to depend on others (Rousseau *et al*., 1998) is vital for all social structures. It is important not only because family businesses are social entities but also due to the emotional ties among family members. During the founding stage, the family businesses needs strong family ties and cooperation which require intra-family trust. This type of trust is easy to obtain because it is based on strong ties of kinship, familiness and personal similarities (Carney, 2005), criteria which enable family members to foresee how other family members might consider, act or breach trust (Child, 1998). During the early stages of business formation, these features greatly advantage to family businesses compared to other types of businesses because family businesses have immediate access to these resources (Corbetta and Salvato, 2004). The outcome is similar when intra-family trust is extended to include interpersonal trust; intra-family trust which is embedded in interpersonal trust, enables trust to be established more rapidly because shared values, common history and similarities serve as a catalyst (Gersick, 1997) for interpersonal relationships within the business.

The growth of the business-particularly the addition of non-family workers or managers-might weaken both interpersonal relationships and intra-family connections (Steier, 2009). This outcome is thought to be related to increases in complexity (Ayranci, 2009), the need for further business-related experience (Suarez *et al*., 2014) and the dispersion of family members among different career paths (Ayranci, 2009). This outcome is also held to be related to the external environment which emphasizes competence in areas such as business adaptation and in-depth operational knowledge and requires the establishment of strong competence trust in addition to interpersonal trust (Mishra, 1996). During the stage of business growth, when it is important to achieve optimal performance and monitor the external environment, trust shifts from interpersonal trust in family members to trust in professional competence. This shift is noteworthy for a number of reasons. Because the predominant business issue is survival, the competency of all business members is critical and trust in professional competence is more important than trust based on family membership (Ward, 2004).

The issue of succession emerges for businesses that survive and competence trust again provides a business advantage. The literature notes that succession becomes a nightmare for the current chief executive when there are many intra-family candidates. An approach that is based on candidate competence is able to resolve this issue (Lee *et al*., 2003) because focusing on competence enables the chief executive to ignore the distinction between family and non-family members (Barach and Ganitsky, 1995).

The above discussion of the relationship between professionalization, business survival and competence suggests that institutionalization might bypass or weaken outcomes that depend on trust. Although, the present study did not address this issue, the literature also suggests that the nature of trust required by a business might profoundly affect institutionalization. Institutionalization involves establishing a superordinate system that regulates many integrated subsystems. These systems require criteria for individual performance and trust in the system is achieved when all individuals are required to meet the same criteria regardless of whether they are family and non-family members (Sydow, 1998). Due to family emotional ties, it might become difficult to enforce perfect compliance to performance criteria; to resolve this issue, researchers have proposed solutions such as establishing family-specific criteria (Ward, 2004) or a formal family constitution (Ayranci, 2010).

MATERIALS AND METHODS

From the above discussion, it is clear that the family cannot be excluded from the family business and that the family's presence in the business affects trust among family members. Thus, family involvement is expected to affect intra-family trust. The extent and nature of the institutionalization might also change how each family member can handle business issues, thus affecting the type and the extent of trust among family members. These considerations produced the proposed research model presented in Fig. 1.

Data were obtained through questionnaires. As the targets were solely family businesses, the population was considered to be all family businesses in Organized Industrial Zones (OIZs) in Istanbul. To contact as many family businesses as possible, both ownership and management were taken into account and a family business was defined as a business in which a family owned the majority of shares or constituted the majority in management of the business. This definition was provided at the top of the first page of the questionnaire and each participant was then asked to indicate whether his or her business was a family business. Questionnaires in which the response to this question was positive were selected for inclusion in the study.

Because the model presented in Fig. 1 includes both family and business factors, it was essential to administer study questionnaires to the most appropriate individuals. Therefore, for each family business, the family member serving as the chief executive was selected as the participant because this individual was able to provide information for both factors.

The first section of the questionnaire provided information on institutionalization. The instrument

Table 1: Number of businesses in Istanbul's OIZs and distribution of pilot study and primary research study questionnaires

OIZ	No. of businesses	Pilot study questionnaires	Primary research questionnaires
Istanbul Ikitelli	27301[a]	203	408
Istanbul Anatolia	147[b]	1	2
Istanbul Leather	690[c]	5	10
Unity	78[d]	1	1
Istanbul Tuzla Chemistry Industry	156[e]	1	2
Istanbul Dudullu	161[f]	1	2
IstanbulTuzla	91[g]	1	1
Istanbul Beylikduzu	761[h]	5	11
TOTAL	29385	218	437

[a]IOSB, [b]Istanbul Anadolu Yakasi OSB, [c]Deri OSB, [d]BOSB, [e]KOSB, [f]IDOSB, g ITOSB, [h]IBOSB

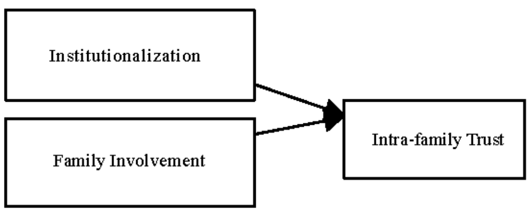

Fig. 1: Proposed research model, Based on the consideration of the researcher

developed and used by Ayranci (2010) was used because it provides a customized and validated instrument specific to Turkish family businesses. The second section provided information on family involvement. Identifying the appropriate instrument to assess this factor was complicated by the complex ways in which family members might be involved in a family business as well as features of the Turkish business context. Consequently, the researcher combined the approach adopted by Ayranci (2010) with the F-PEC scale. The third section which assessed intra-family trust, combined two instruments: the structural and cognitive dimensions of family social capital (Suarez *et al*., 2014) and the family confidence and trust scale (Biddulph, 1999). All questionnaires were administered by a professional consulting firm which also provided contact information for the participants. Contact information was subsequently used by the researcher to confirm that the questionnaires were appropriately administered.

The research process involved an initial pilot study in addition to the primary research study. The pilot study was performed to identify the statistical structure of the data and was used as the basis for the final version of the study questionnaire. The primary research study then evaluated the proposed research model presented in Fig. 1 for the data obtained from the final version of the study questionnaire. Individuals who participated in the pilot study were excluded from the primary research study.

As per the population, the researcher investigated the number of OIZs existing in Istanbul which in turn, revealed to be eight and study participants were recruited from among all family businesses in these OIZs. The researcher employed quota sampling based on OIZ size to distribute questionnaires in both the pilot study and the primary research study. Table 1 presents the number of businesses in OIZs and the distribution of questionnaires for the pilot and primary research studies in each OIZ. The questionnaires within each OIZ were randomly administered. As Table 1 indicates, there were a total of 29385 businesses in the target area.

A noteworthy point at this stage was that the proportion of family businesses within this total number was unclear. There was not any data revealing the number of family businesses in these OIZs and even if the mentioned data existed, it would still be impossible to determine the exact number of family businesses which satisfied the definition written at the top of the first page of the questionnaire used. All these reasons urged the researcher to assume that all businesses in these OIZs could be targets, thus make up the population as the eligibility to be a family business would be determined by the definition used in the questionnaire later. Due to the researcher's expectation that some of these 29385 businesses would fail to be family businesses, assuming all these businesses within the population and deriving the sample accordingly would also be beneficial to increase sample's representability.

The appropriate sample size with a 5% margin of error and a 95% confidence level was thus calculated as 380. This calculation was performed by the sample size calculator, provided by Raosoft and besides the above criteria, the researcher left the possible response distribution at 50% in order to get the maximum sample size possible. To address issues due to missing or incomplete data, the researcher decided that 437 questionnaires should be administered (i.e., 15% over the minimum required). Thus, the primary research study was based on data from 437 questionnaires. For the pilot study, 218 questionnaires were administered (i.e., approximately half the number of questionnaires used in the primary research study). It should be noted that the rounded numbers are presented in Table 1.

RESULTS AND DISCUSSION

Pilot study results: Based on the distribution presented in Table 1, 218 questionnaires were administered. However, only 198 participants provided a positive response to the survey question defining a family business in Istanbul Ikitelli OIZ. Consequently, the pilot study included only 213 participants.

Explanatory factor analyses were performed for each factor and principle components analyses with varimax rotations were used in which factor loadings smaller than 0,5 were excluded.

Table 2 presents the results for the factor of institutionalization and the results of the reliability analysis; the analysis provided a three-factor structure that explained 64% of the total variance.

As Table 2 indicates, the management dimension involves giving the highest priority to the business in the decision-making process which involves addressing problems such as managerial conflicts and business continuity in special events, emphasizing a professional management approach by including non-family managers and establishing a board of directors. The financial dimension involves following written procedures in managing financial aspects of the business, equal treatment with respect to compensation and preparing financial plans for the business. Finally, the continuity dimension involves business continuity and the extent to which there are procedures for selecting the next chief executive, creating a succession plan and preparing young family members for future leadership roles in the business.

The structure of family involvement which was based on three factors, is presented in Table 3. The factors explained 64,762% of the total variance.

The results presented in Table 3 reveal that the formal harmony and procedure dimensions involved formal issues, while the loyalty dimension was informal in nature. The formal harmony dimension represents the extent to which family members are expected conform to business operating procedures as employees, the procedure dimension represents the formal methodology through which family members are included in the business context and the loyalty dimension involves family member loyalty toward the business and voluntary contributions to the business.

The final issue investigated in the pilot study was the structure of intra-family trust. The results presented in Table 4 reveal that intra-family trust was composed of only a single factor.

Table 2: Results of explanatory factor and reliability analyses for institutionalization

	KMO value: 0.734 Bartlett's test value was statistically significant		
Suitability for explanatory factor analysis	Management dimension	Financial dimension	continuity dimension
Variance explained (%)	28.279	20.316	15.405
Cronbach's alpha	0.910	0.919	0.767
Family business managers should make decisions based on the needs of the business even if these decisions oppose family expectations (M1)	0.921		
Meetings between managers or family members should always focus on business efficiency (M2)	0.900		
Family businesses should have a strategy for reaching agreement when leading managers disagree (M3)	0.893		
Written procedures should be adopted to resolve conflicts between family member managers (M4)	0.769		
Family businesses should have action plans in place in the event of family member managers' death or departure (M5)	0.749		
Family member managers should behave as professional business colleagues (M6)	0.738		
Family businesses should also employ non-family managers (M7)	0.733		
Family business managers should meet regularly (M8)	0.702		
Family businesses should have a board of directors (M9)	0.670		
Family and non-family managers should be treated equally with respect to compensation (F1)		0.943	
There should be financial planning in family businesses (F2)		0.936	
Family businesses should have written procedures for managing assets and wealth that simultaneously address the needs of the business (F3)	0.920		
There should be written procedures for managing all the funds of the family business (F4)		0.844	
There should be written procedures to manage profit and investments of the family business (F5)		0.698	
There should be a specific process for selecting the next top manager of the family business (C1)			0.906
Family businesses should have succession plans (C2)			0.838
Young family members should be monitored to assess their potential as future business leaders (C3)			0.813
Meetings between senior and younger family members regarding business issues should be held (C4)			0.737
Family businesses should have plans to enhance the management capabilities of young family members (C5)			0.556
Extraction method: PCA.			
Rotation Method: Varimax with Kaiser Normalization			
Rotation converged in 3 iterations			

Based on the analysis of data collected

Table 3: Results of explanatory factor and reliability analyses for family involvement

	KMO value: 0.912 Bartlett's test value was statistically significant		
Suitability for explanatory factor analysis	Formal harmony	Procedure	Loyalty
Variance explained (%)	24.823	22.316	17.623
Cronbach's alpha	0.904	0.890	0.769
Family members should have positions in family businesses (FH1)	0.830		
Employed family members should attend an orientation program (FH2)	0.783		
Employed family members should follow all business rules and procedures (FH3)	0.747		
It should always be possible to dismiss an employed family member (FH4)	0.737		
The entire staffing process should be free from family influence (FH5)	0.704		
The rights and obligations of all family members with respect to the business should clearly be identified and written down (P1)		0.873	
The extent to which family members are able to use business accounts should be determined in advance (P2)		0.836	
There should be written criteria and rules for family members who take positions in the family business (P3)		0.644	
Family businesses should have written procedures for newcomers (in-laws) to the family (P4)		0.638	
The ownership structure of the family business should be clearly identified and written down (P5)		0.582	
The performance of employed family members should be evaluated on a regular basis (P6)		0.576	
Family members should feel loyalty toward the business (L1)			0.805
Family members should be proud that they are a part of their business (L2)			0.718
Family members should support the business in all contexts (L3)			0.696
Family members should be willing to put in extra effort to contribute to the success of the business (L4)			0.671
Most of the family should be interested in business issues (L5)			0.556
Extraction method: PCA			
Rotation Method: Varimax with Kaiser Normalization.			
Rotation converged in 6 iterations			

Table 4: Results of explanatory factor and reliability analyses for intra-family trust

	Intra-family trust
Suitability for explanatory factor analysis	KMO value: 0.877 Bartlett's test value was statistically significant
Variance explained (%)	56.850
Cronbach's alpha	0.902
In our family. we trust each other (T1)	0.788
In our family. we bring issues into the open (T2)	0.784
In our family. we have strong emotional bonds (T3)	0.776
In our family. we openly express our opinions (T4)	0.765
In our family. we enable each other to feel secure (T5)	0.762
In our family. we feel confident that we can meet future challenges (T6)	0.730
In our family. we feel optimistic about things in general (T7)	0.714
In our family. we enjoy being with each other (T8)	0.709
Extraction method: PCA.	
1 component extracted	

The single factor identified in Table 4 indicates that intra-family trust involved sharing within the family, feelings of unity, joy and security and an emotional bond. Based on the structure identified by the analysis, the researcher revised the research questionnaire used to test the research model presented in Fig. 1.

Primary research results: The final sample was greater than the minimum sample size of 380. Due to incomplete data from some of the participants in Ikitelli OIZ, 393 complete questionnaires were obtained. To analyze the model in Fig. 1, the researcher decided to employ a bootstrapping regression analysis. The regression was performed using the "enter" method and all factors were accounted for. Although, the model was valid (Table 5), the simultaneous overall effect was very weak.

The researcher continued with an in-depth analysis of the model in Fig. 1. Table 6 reveals that some items for institutionalization and family involvement influenced intra-family trust, indicating a partial effect for these two factors.

The results presented in Tables 5 and 6 indicate that the weak model involved partial effects of institutionalization and family involvement on intra-family trust. For institutionalization, one management item (Family businesses should have a strategy for reaching agreement when leading managers disagree [M3]) and three continuity items (There should be a specific process for selecting the next top manager of the family business [C1]; Family businesses should have succession plans [C2]; Meetings between senior and younger family members regarding business issues should be held [C4]) affected intra-family trust.

Table 5: Model Summary and ANOVA results

Model	R	R^2	Adjusted R^2	SE of the estimate
1	0.403[a]	0.163	0.068	0.74353

Model	Variables	Sum of squares	df	Mean square	F	Sig.
ANOVA[b]						
1	Regression	33.179	35	0.948	1.715	0.009[c]
	Residual	170.827	309	0.553		
	Total	204.006	344			

[a]Predictors: Constant. M1, M2, M3, M4, M5, M6, M7, M8, M9, F1, F2, F3, F4, F5, C1, C2, C3, C4, C5, FH1, FH2, FH3, FH4, FH5, P1, P2, P3, P4, P5, P6, L1, L2, L3, L4, L5 (Table 2, 3, and 4 for item abbreviations); [b]Dependent variable: intra-family trust; [c]Predictors: Constant. M1, M2, M3, M4, M5, M6, M7, M8, M9, F1, F2, F3, F4, F5, C1, C2, C3, C4, C5, FH1, FH2, FH3, FH4, FH5, P1, P2, P3, P4, P5, P6, L1, L2, L3, L4, L5 (Table 2, 3 and 4 for item abbreviations); based on the analysis of data collected

Table 6: Bootstrap for coefficients[a]

	Bootstrap[b]					
					95% confidence interval	
Model	B	Bias	SE	Sig. (2-tailed)	Lower	Upper
Constant	1.112	0.001	0.596	0.068	-0.0550	2.302
M1 7	0.101	-0.005	0.083	0.214	-0.0790	0.256
M2	-0.090	0.013	0.143	0.511	-0.3010	0.245
Family businesses should have a strategy for reaching agreement when leading managers disagree (M3)	-0.245	-0.021	0.135	0.048	-0.5410	-0.004
M4	0.095	0.006	0.056	0.100	-0.0090	0.210
M5	0.018	0.003	0.066	0.801	-0.0104	0.150
M6	-0.048	0.002	0.064	0.452	-0.1730	0.081
M7	0.111	-9.157E-005	0.068	0.093	-0.0280	0.241
M8	-0.071	-0.002	0.071	0.315	-0.2070	0.071
M9	-0.070	0.003	0.053	0.179	-0.1690	0.037
F1	-0.061	-0.002	0.084	0.479	-0.2290	0.102
F2	-0.008	-0.006	0.098	0.935	-0.2080	0.182
F3	0.079	0.004	0.068	0.257	-0.0490	0.210
F4	0.023	0.003	0.076	0.762	-0.1160	0.183
F5	0.033	0.004	0.063	0.611	-0.0860	0.161
There should be a specific process for selecting the next top manager of the family business (C1)	-0.220	0.002	0.088	0.007	-0.3900	-0.047
Family businesses should have succession plans (C2)	0.182	-0.004	0.072	0.007	0.0320	0.326
C3	-0.148	0.016	0.108	0.151	-0.3180	0.099
Meetings between senior and younger family members regarding business issues should be held (C4)	0.066	0.000	0.031	0.036	0.0040	0.124
C5	0.062	-0.005	0.053	0.239	-0.0460	0.161
FH1	-0.174	-0.005	0.121	0.134	-0.4330	0.046
Employed family members should attend an orientation program (FH2)	0.245	-0.006	0.107	0.024	0.0330	0.452
FH3	0.029	-0.005	0.132	0.810	-0.2200	0.303
FH4	0.021	0.006	0.101	0.812	-0.1890	0.218
The entire staffing process should be free from family influence (FH5)	-0.189	0.004	0.094	0.044	-0.3760	-0.003
P1	-0.117	0.000	0.104	0.215	-0.3190	0.110
P2	0.003	0.001	0.124	0.982	-0.2440	0.236
P3	0.098	-0.008	0.112	0.361	-0.1290	0.330
P4	0.174	-0.002	0.096	0.061	-0.0130	0.359
P5	-0.046	-0.005	0.104	0.651	-0.2710	0.149
P6	-0.123	0.009	0.087	0.155	-0.2890	0.054
Family members should feel loyalty toward the business (L1)	0.200	0.014	0.096	0.035	0.0230	0.393
L2	0.018	-0.007	0.083	0.830	-0.1370	0.189
L3	-0.121	-0.006	0.066	0.071	-0.2560	0.011
L4	0.072	0.009	0.079	0.342	-0.0750	0.246
L5	0.085	-0.001	0.092	0.331	-0.1140	0.265

[a]Table 2, 3 and 4 for item abbreviations; [b] Unless otherwise noted. bootstrap results were based on 1000 bootstrap samples; Based on the analysis of data collected.

The financial dimension of institutionalization did not affect intra-family trust which suggests that financial issues were viewed as unambiguous, enabling participants to ignore any effects on trust among family members. It is also possible that the financial institutionalization items generally involved the family as a whole, leading participants to view intra-family trust as irrelevant.

In contrast, intra-family trust appeared to be partially affected by the management and continuity dimensions. The affective items represented current and future processes involved in management and ownership. Trust is particularly relevant when leading managers cannot achieve a consensus and it was expected that this type of decision-making deadlock would be resolved with a business strategy adopted by the family business. It should be noted that the need for this strategy (M3) negatively affected intra-family trust (B = -0.245). In other words, resolving decision-making disagreements through an adopted business strategy decreased intra-family trust which suggests that family members might find it difficult to depend on each other when the business faces major decision-making problems. This outcome is not unexpected because the family business is regarded as inseparable from the family and is typically the only source of family wealth which might lead family members to mistrust other family members when the business is in jeopardy. The selection of the next top manager (C1) also negatively affected intra-family trust (B = -0.220), suggesting that trust becomes fragile among the family members with regard to issue of deciding who should succeed the primary decision-maker for the business.

These two findings have some shared implications. Family businesses are important to families which makes them adopt a conservative stance toward business issues. The predominant business issue involves decision-making at the top because it is directly linked to business survival. The final two findings indicate that disagreements at the top decision-making level and the selection of the individual to succeed the director reduced intra-family trust. One implication of these findings is that the problems involved in directing the business as a whole and selection of the individual responsible for this task are perceived to be so critical that family members do not view trust in other family members as sufficient because the business as a whole and their own interests are at issue. Another implication might be linked to priorities; family members might view the continued existence of the business to be more important than trust in other family members because termination of the business would be devastating for all family members whether or not they trusted each other. A final implication might be associated with trust in non-family managers. The items did not refer specifically to family member managers but only to leading managers. Because some participants might have distinguished between family member managers and non-family managers when completing the questionnaires, the failure to specifically identify family member managers in items M3 and C1 might lead participants to disregard the issue of trust and hence the role of the family.

This interpretation is supported by examination of the other two institutionalization items which exhibited a weak, positive effect on intra-family trust. One item involved the existence of succession plans (C2; B = 0.182) and the other involved business-related interactions between senior and younger family members (C4; B = 0.066). Thus, study participants might have tended to emphasize their families when intra-family trust was considered, even when business success was a factor. Participants, who were both chief executives and family members, might view the continuity of the business as involving intra-family trust because continuity emphasizes the family. Intra-family trust might be irrelevant for the most critical management issues because the survival of the business predominates. Business continuity might also be perceived as essential to business survival. Transferring the accumulated business-related experience, knowledge and skills of older family members to younger family members and establishing processes through which younger family members take leadership roles in the business might be perceived by participants as contributing to business survival as well as establishing intra-family trust.

The concept of family involvement also partially affected intra-family trust. Two formal harmony items (Employed family members should attend an orientation program [FH2] and The entire staffing process should be free from family influence [FH5]) and one loyalty item (Family members should feel loyalty to the business [L1]) were found to affect intra-family trust. Loyalty to the business (L1) was expected to exert a positive effect (B = 0.200) because the extent to which family members are perceived to be loyal to the business should increase the extent to which they are perceived to exhibit trustworthy toward each other. An orientation program (FH2) was also positively related (B = 0.245) to establishing intra-family trust. This positive effect was expected to be related to the family business essence; requiring employed family members to attend an orientation program indicates that they are expected to act as employees rather than as family members and behave more professionally as a result. In contrast, the negative effect finding (B = -0.189) of the staffing process (FH5) on intra-family trust was unexpected; study participants believed that reducing family influence on the hiring process decreased intra-family trust. This finding has several implications. Because the business is owned by the family, family influence might be viewed as natural because family members would be working with the employees hired. The identities of the participants-family members who were chief executives-should also be noted. Study participants might have thought that they should be the primary decision-makers when hiring employees; they might have believed that the family should be included in the hiring process because they were family members themselves. Regardless of the reason for the finding, reducing family influence on hiring decreased intra-family trust. The observed decrease in intra-family trust might also be due to perceptions of nepotism. Study participants might believe that family interference in hiring might lead to hiring incompetent family members which would damage intra-family dynamics and trust regarding the business. The potential to hire incompetent family members might further result in the loss of control over the business for certain family members or in some family member employees intentionally engaging in acts to harm the business.

Institutionalization of the family business and family involvement in the business were found to influence intra-family trust to a certain extent. The effects were mixed, i.e., depending on the particular issue; institutionalization and family involvement might positively or negatively affect intra-family trust.

CONCLUSION

Study results indicated that ensuring successful decision-making at the top, particularly when family members directing the business disagreed was a much more critical issue than maintaining intra-family trust. Though the finding regarding the staffing process resembles that for top decision-making, the underlying rationale appears to be different because family influence on the hiring process was viewed as desirable. In contrast, attempts to ensure business continuity and prepare employed family members for leadership roles in the business were positively associated with the establishment of intra-family trust.

The study results must be considered preliminary for a number of reasons. The present study provides initial tests of the proposed model which should be more rigorously tested in future research. Future models might assess interactions between institutionalization and family involvement to examine the indirect effects of these factors as well as direct effects. Future models might also include moderator variables, such as community culture, organizational culture and specific business characteristics. Different perspectives on institutionalization and the effects of relationships among factors might be considered. Future studies should also take into account different definitions of family businesses or different definitions of the family and assess the effects of these differences on the model. Ultimately, all the above factors should be integrated into a single model.

Future work: Because the study participants were family members who were chief executives, the data reflect their ideas and beliefs. Future studies should collect data from other family members to provide a more detailed analysis of the model and reduce potential biases of chief executive family members. Data might also be collected from both family member managers and non-family managers to test the model with two different sets of data. This type of analysis would make it possible to identify similarities and differences between the two groups as well as improve our understanding of the extent to which family membership influences attitudes toward institutionalization, involvement and trust.

SUGGESTIONS

Besides all these suggestions, another one might be made in relation with populations and samples to be used in the future. Due to the non-existence of a family business database in Turkey, this study is limited to family businesses in OIZs in Istanbul despite there is not even a list of family businesses operating in these OIZs. This limitation greatly casts a shadow on the generalization of the results obtained; thus the cases with other family businesses in Istanbul or in other cities, along with the situation at national level are unknown. The researcher considers that due to difficulties of data gathering at huge amounts, future studies might focus on comparisons using the same family business definition to dig deeper about the subject considered in this study. In relation with the subject, some similarities or differences may be caught among family businesses in the same OIZ, different OIZs in the same city and different OIZs in different cities, between family businesses included in and falling outside OIZs and finally among these businesses in different sectors. A cooperation among many scholars would be perfect in this sense to compare the situation of the subject among family businesses in different countries and groups of countries, or even among western and eastern cultured family businesses.

The above discussion reveals that many other factors and data collection approaches might be used to study the issues and relationships investigated in the present study. The findings of the present, pioneering study should stimulate future research in this area.

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