Culture of the Eastern European Family Business

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The family businesses have a distinct form of culture, and this culture is associated with the regions to which these family businesses belong. Ten articles on the family businesses in different societies of Eastern Europe, using nine GLOBE cultural dimensions, have been brought under comparative logistics. The findings reveal the distinctive culture of the family businesses, and the factors influencing these cultural orientations as well as diversity among the family businesses. A comparison with the culture of the region indicates significant parallels between regional culture and family business culture. Regional roots may significantly influence the cultures of the family business.

Family businesses are a dominant form of organization in cultures around the world, accounting for estimated two thirds of all businesses in the world (Riti, 2000). Recent research suggests that family firms outperform non-family firms on a number of dimensions, including financial effectiveness (Anderson & Reeb, 2003); operational effectiveness (productivity - Kirchoff & Kirchoff, 1987 & customer service - Lyman, 1991); and social capital (concern for employees and communities - Astrachan & Kolenko, 1994). Using the Business Week "CEO 1000," McConaughy (1994) reported family firms to be operationally more efficient, more valuable, having higher stock returns, using less debt and paying out fewer dividends than their non-family counterparts.

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Despite the prominence of family businesses, there is only limited knowledge base about the culture of family businesses as a form of business organization. And, the knowledge base that does exist tends to view family businesses in very generic terms, as one homogeneous category, without regard to the diversity that might exist in their orientations. Also, we currently lack understanding of the fundamental factors that influence the cultural behavior of the family firms.

Extant literature suggests that family businesses have idiosyncratic features that are often associated with their own distinctive advantage. Family businesses tend to grow organically using the family's financial and managerial resources, and/or intra-organizationally generated and promoted financial and managerial resources. These resources are durable, dedicated, and co-specialized to the family values and practices. The family businesses face substantial resource constraints, financial and managerial, as they are often reluctant to seek external sources of funding and managerial resources for accelerated growth (Gallo, 1994). Many family businesses are known for their operational richness, diversity, agility, and resilience. Yet they face positional disadvantages in the marketplace. They often operate in structurally unattractive industries, which require limited resources and that face few entry barriers (Gallo, 1995). Consequently, they find it difficult to capture the value inherent in their operational capability, and face adverse terms of exchange and survival.

The highly engaged and enduring resources and relationships, internally with the employees and externally with the community, generate a high degree of social and psychological capital for the family businesses (Astrachan and Kolenko, 1994). The family businesses show a strong empathy, sympathy, cohesion, and resilience. They seek to involve community businesses in both sourcing as well as marketing. However, while their bonding capital tends to be strong, their bridging capital tends to be weak. Because of their social and psychological bonds and commitments, they are unable to adequately exploit global opportunities, going beyond their communities.

Family businesses tend to operate on a long time horizon, because of the concerns about family reputation and prestige, cross-generational sustainability of the business, and strength of informal culture (Gallo, 1995). On the flip side, family businesses are prone to escalating commitment and attempts to protect, ignore, or even hide the bad decisions by the family members. They face significant gaps in due diligence and governance, because of the limited role often assigned to the professional managers. They also tend to have shortsighted policies of development and investment into growth and innovation, especially in capital-intensive industries (Church, 1993).

The above general characteristics of family businesses may be expected to vary as a function of the regional cultural context. Regional culture context tend to have significant influence on societal cultures, which in turn tend to impact organizational cultures. Based on a study of about 1,000 organizations and 61 societies, GLOBE program reported that about a third of the variation in organizational cultural practices is accounted by the societal context effects; and about a sixth by the society specific industrial domain effects (House et al, 2004). Further, more than half of the variation in societal culture dimensions is accounted by the regional context (House et al, 2004).

In case of family businesses, the influence of regional cultures is likely to be particularly strong because family businesses tend to be rooted in strong and enduring kinship and local networks.

In this paper, we focus on the family businesses in the Eastern Europe region. In Eastern Europe, the family businesses were dissolved during the communism period. After the end of communism, new family businesses have emerged in the region, and some of the older family businesses – that had been acquired by the state during the communism – have been revived. Thus, it is of interest to learn about the nascent culture that is emerging amongst family businesses in this region.

We identify culture in terms of cultivated practices and values within an organization. Culture is often operationalized in terms of dimensions. While several typologies of organizational culture dimensions exist, we use the GLOBE framework (House, et al, 2004). The advantage of the GLOBE framework lies in the parallel structure of organizational and societal dimensions. This allows one to compare organizational cultures with the characteristics of cultures in the society and region, and thereby identify how the organizations have developed differentiated and unique cultures.

In the GLOBE framework, nine dimensions of cultures are identified:

(1) Power Distance

(2) Uncertainty Avoidance

(3) Institutional collectivism

(4) In-group collectivism

(5) Gender egalitarianism

(6) Future orientation

(7) Performance orientation

(8) Humane orientation

(9) Assertiveness

We use the above nine dimensions to analyze family businesses in Eastern Europe, using a set of ten articles obtained after an extensive outreach.

Next, we review the literature on family businesses in the Eastern Europe. The research methodology is then presented. The culture of the family businesses in the region, and the factors influencing this cultural orientation, is then discussed. The implications for further research and managerial practice are identified.

Literature Review - Family Businesses in the Eastern Europe

In the Eastern European region, historically the government under the communism economic system owned all businesses. During the 1990s, these societies embraced market economy system.

A number of new entrepreneurial ventures have since been established, both by taking over the privatized government owned enterprises as well as in the form of start-ups. Most have been founded by the former middle class – the professionals, highly skilled workers and military officers – who have suffered most of all social groups as a result of the reforms – motivated by a desire to retain the previous standard of living for their family.

In the communist era, friendship had an unparalleled value and significance. The citizens reported "finding reliable friends" or "communicating with friends" as one of the most important goals in life – ahead of work or family life (Shlapentokh 1989: 174). Friendship was the basis of "deep intimate relations," as well as assistance in "beating the system" in everyday life. The stability of residence and lifetime attachment to the enterprise allowed cultivating and retaining a stable set of friends, as individuals and as couples. The personal friendship networks consequently play an integral role in the family businesses founded in the region since the 1990s (Pistrui, Welsch & Roberts, 1997; Barkhatova, McMylor, and Mellor, 2001).

In the first variant, several family couples connected through friendship ties are engaged in a business, referred here as the *Friendship model*. A high degree of dependence of each family unit on the family business, where both husband and wife are involved, frequently generates tensions among the friends about the decision rights and income distribution. The model is often sustained by giving greater control and decision rights to one of the couples. In addition, informal mechanisms are used for friendly get-togethers to retain non-business relationships (see, for instance, Barkhatova, McMylor, and Mellor, 2001). The model appears to be supported by the uncertainty tolerance and low performance orientation in the cluster.

In another variant, multiple generations of a family are engaged in a business, with the friends of the family participating primarily through their financial contribution (see, for instance, Pistrui, Welsch & Roberts, 1997), referred here as the *Goodwill model*. The resilience is added to the family business by having one spouse work in an established business, as the other spouse gets involved in the family business. Such a model helps augment the financial resources of the business, and provides weak ties with a more diverse set of skills and relationships through the externally employed spouses. The model appears to be supported by a high degree of in-group collectivism and gender egalitarianism in the cluster. In some cases, the family may have been in the business for a long time before the Communist era, and re-established the business or regained the control over the older business after the end of the Communist era (see, for instance, Hanzelkova, 2004). The distinguishing characteristics of the two models are summarized below:

Friendship model: A stable set of friends engaged in a lifetime of work and family building, sometimes alienating the champion from the friends, and at other times producing a sense of managerial distance enmeshed with human concern.

Goodwill model: Parents, siblings, and extended personal friendship networks all contribute finance and two to three generations work together to launch a business, or in some cases to regain control over the traditional family business after the fall of the Communism, while spouses work with more established business.

Research Methodology

In December 2005, we sent a call for papers requesting published and unpublished articles on the family businesses in different regions of the world, including Eastern Europe. The call was sent to more than hundred family business centers and institutes around the world, as well as to the major family business research and practitioner networks. The call was also sent to the members of various related professional academic organizations, such as the Academy of Management. In addition, an extensive search of electronic databases as well as worldwide web was conducted to identify relevant articles on the family businesses in different parts of the world. Permission of the authors was sought for inclusion of their article for furthering the research on family business in different regions of the world. Based on the search and author permissions, 220 articles were generated. These articles were reviewed by an interdisciplinary team of five Ph.D. holders for rigor, cultural insights and distinctiveness. Ten articles were finally selected for each of the ten regional clusters of the world, as identified by the GLOBE program (House et al, 2004).

A list of articles selected for the Eastern European region is in Table 1.

Table 1 - Eastern European Family Business Articles
Barkhatova, Nonna. Russian Families in Small Businesses.
Duh, Mojca Importance and Characteristics of Family Enterprises in Slovenia.
Dyer, W. Gibb, Jr. and Mortensen, Svetlana Panicheva. Entrepreneurship and Family Business in a Hostile Environment: the Case of Lithuania (2001-2005).
Hanzelkova, Alena, Re-Establishing Traditional Czech Family Businesses: A Multiple Case Study on the Present Challenges.
Konis, Elmos, The Family Business and the Impact of Competitive Pressure.
Pivoda, Miroslav and Hoy, Frank. EcoPurify Case Study.
Sarri, Katerina and Trichopoulou Anna. Female entrepreneurship, self -starting entrepreneurs and family business successors: A review of the Greek Situation.
Spanos, Loukas, Tsipouri, Lena and Xanthakis, Manolis. Family Firms and Corporate Governance Rating: the Greek Case.
Stavrou, Eleni T., Kleanthous, Tonia and Anastasiou, Tassos. Leadership Personality and Firm Culture During Hereditary Transitions in Family Firms: Model Development and Empirical Investigation.
Vadnjal, Jaka and Glas, Miroslav. Transgenerational Entrepreneurial Attitudes in Family Businesses in a Transition Economy.

Each of the selected articles was thoroughly scanned to identify themes that were related with the nine GLOBE dimensions of culture.

Findings: Culture of Eastern European Family Businesses and the Influence Factors

Power Distance

Power distance may be explained by the hierarchy and degree to which decisions are made at the top. Power distance, and the degree to which it exists, is evident more on a case-by-case, or company-by-company basis. Yet, some common cultural tendencies may be identified – in general, the Eastern European family businesses are inclined to concentrate power, yet the complexities of the environment are encouraging a shift towards a shared power approach.

First, in the Eastern European family businesses, there tends to be a preference for a single leader at the top. Vadnjal and Glas (2006) conducted surveys in Slovenia regarding succession and attitudes of family businesses. In their studies they found that "many more second generation entrepreneurs believe in only one successor (not a team)" (Vadnjal & Glas, 2006: 11), illustrating the successors' beliefs that teams are less efficient than one leader at the top, thereby showing a high power distance in those firms. This example of high power distance shows a lack of a collective body for decision-making and the overall decision-making process as a whole, where pronouncements are passed down from one top leader to lower-level subordinates. Similarly, in Barkhatova's research of twelve Siberian family-owned businesses, "all… [sampled] family firms are characterized by autocratic and patriarchal style of management and control," (Barkhatova, 2006: 19) underlining the tendency for various family enterprises to trend away from cooperative management styles. Another example is in the study of Spanso, Tsipouri and Xanthakis in which 120 companies are studied through a corporate governance lens. In this study, "the principal characteristic among the majority of the family firms is that the main owner (family) is usually involved in the key-decision making of the firm" (Spanos, Tsipouri and Xanthakis, 2006: 3).

Second, in volatile and hostile environments, there is a tendency to embrace a more shared leadership model. High power distance does not reside in all Eastern European family businesses, especially when collaboration in vital to the sustainability of the firm. In Dyer and Mortensen's (2006) study, where three of the six businesses studied in Lithuania were family businesses, all three of the business used the collective family unit to make key decisions for the firms. Firm one, a clothing manufacturer included in-laws in the decision making process as well. Firm three, an accessories and hat firm, kept most decision making within the immediate family unit (wife, husband, brother and son) but also sought outside help in the aid of an accountant for financing and marketing strategies as well. Furthermore, Firm five, a clothing store and auto repair shop run by a husband and wife, made decisions among themselves and at times expanded key decision making to the remaining ten employees of the joint firms. Because of the "hostile" business environment in Lithuania, networks and connections play an integral role in family run businesses, and in this, such collaboration among friends, family and contacts is crucial to decision making and running a business.

Third, performance-driven role models also inspire the family businesses to move from 'ascribed' power models to more 'earned' power models. In the case studies of Cyprus, there is evidence of a shift of power among the top management of the firm, showing a trend away from high power distance toward "professionalism." Konis' (2006) study gives a first hand account of such changing attitudes toward professionalism: "until recently, I mean (in) the last few years, the Cypriot manager was always the owner of the company, who started a business, and rarely bothered to learn the techniques of management. 'I am the owner, this is how things will be done', he would say. Now, may be things have changed, people are learning the management methods. Now, with more public companies, specialized managers are being hired." (Konis, 2006: 9) Although Konis illustrates this changing attitude, it's worth mentioning that on Cyprus, "the family is the center and all else, including business, revolves around it" (Konis, 2006: 9).

Uncertainty Avoidance

Uncertainty avoidance may be seen through a company's focus on technology, training, education and the like in order to prepare itself for future changes within the industry and economy. Many of the firms in Eastern European have a high "sense" and need for uncertainty avoidance, even if they lack opportunity to actually circumvent uncertainty itself. This is mostly due to a lack of immediate resources or opportunities.

First, erosion of their idiosyncratic knowledge and the knowledge gaps contribute to significant uncertainty among family businesses. Consider Hanzelkova's (2006) study on traditional Czech restituted firms. The technological obsolescence of restituted firms places an increasing uncertainty for most family owned businesses due to the intense capital expenditure needed to overcome the depreciation of fixed assets. To further complicate this was the lack of "higher education, [training in management of] people or [the] study of economics during the communist regime" (Hanzelkova, 2006: 11). This starvation of knowledge leaves many restituted family business behind the business cycle of newer firms, and generating greater uncertainty in their sustainability.

Second, the family firms tend to under-estimate the need for technology enhanced corporate governance, thereby subjecting their practices to high uncertainty. Spanos, Tsipouri and Xanthakis (2006) underline the need for transparency in all aspects of their Greek family firms, to clarify where the company is focused, key business decisions and missions. However, these firms tend to underestimate the technology requirements for assuring high levels of transparency required by the constituencies.

Third, the family firms tend to rely on the emotional reservoir of their family and family relationships to survive, resolve, and manage the uncertainties. Consider Pirvoda and Hoy's (2006) disguised case of EcoPurify in the Czech Republic. In this, twin brothers started a venture for purified wastewater based on technology they developed while working in communist Czechoslovakia. First and foremost, they started a venture in "a country that had not known free enterprise for almost half a century [which] would require creativity in organization and finance as well as in technology" (Pirvoda & Hoy, 2006: 1). A heavy investment in R&D left them as pioneers in a very uncertain time. As inventors of this new technology, the brother sought detours around communist laws and unofficially worked on their treatment experiments in communist Slovenia. With the Velvet Revolution, the brothers "moved forward to commercialize their technologies and resigned their positions at the Technical University of Bratislava" (Pirvoda & Hoy, 2006: 3). All of these examples of innovation, determination and entrepreneurship show very low uncertainty avoidance for two very resolute brothers in the Czech Republic.

Institutional Collectivism

Institutional collectivism refers to an emphasis on collective interests, institutions, and coordination systems, as opposed to a focus on individual incentives and goals. The family firms in Eastern Europe appear to have a low sense of institutional collectivism when it comes to sharing rewards, but a high sense of institutional collectivism in relation to benefiting from collective goods.

First, the family firms find it difficult to navigate by following the rules of their governments in low trust contexts. Where there is not trust in greater society, trust also seems to dissolve in family businesses as well. In Czech Republic, there is a "high crime rate, unethical behavior leading to a lack of trust, a generally poor image of business people, and lack of a qualified workforce with problems in the overall management of human resources" (Hanzelkova, 2006: 9). The Czech family firms show a general mistrust of the government and its practices. The state is seen as inefficient "in terms of excessive bureaucracy, practices discriminatory towards smaller and Czech firms (as opposed to large companies with foreign capital), [and] frequently changing and confusing legislation that is difficult to follow and implement" (Hanzelkova, 2006: 9).

Second, the family firms often strive to invent alternative rules for accommodating government interests. This is seen in Dyer and Mortensen's (2006) Lithuanian case studies. Firms 1 and 3 are illegally operating within the corrupt Lithuanian society, to become part of a "gray economy." These family businesses operate illegally due to the oppressive taxation and bureaucratic conduct of the Lithuanian government. It is noted that "if a [proprietor] were to pay all the required taxes, she would quickly go bankrupt. Thus bribes are also a way of life in Lithuanian family businesses" (Dyer & Mortensen, 2006: 10).

Third, the family firms may also delicately balance their desire to be freed from government rules, with their desire to co-opt government as a key ally and partner in their game-play with broader sets of constituencies. Thus, in Pirvoda and Hoy's (2006) EcoPurify case, the twin brothers circumvent the laws of communist Czechoslovakia to start-up their business. Yet, during the communist regime, the two brothers co-opt the government interests by giving the latter the ownership of their patents.

In-Group Collectivism

In-group collectivism refers to a sense of pride in and loyalty to the family and the group.

In Eastern European family businesses, there tends to be high degree of loyalty to the family, which at times may degenerate into cases of nepotism.

First, family businesses tend to subscribe to the concept that family members contribute more than what is measurable in terms of their formal roles, positions, and contributions. Family member contributions may be preservation of culture and maintaining the fabric of the family business, giving it some distinctive advantage. Thus, Vadnjal and Glas' (2006) case illustrates that "Slovenian businesses are not very open, they are wither more in favor of family exclusivity, or are still undecided. One of the family business paradigms is that family members are entitled to differential pay arrangements compared to the other employees" (Vadnjl & Glas, 2006: 12).

Second, family businesses actively seek contributions from their family members that may or may not be captured just in terms of the formal roles. In Slovlenia, "family members (not employed in the enterprise) are rarely paid for their work," (Duh, 2006: 11), reflecting a loyalty seen in family businesses not seen in other firms, as this kind of "free" help and loyalty could not be expected from outside sources. Similarly, Stavrou, Kleanthous, and Anastasiou's (2006) study of Cyprus shows, "members of a collaborative family share information and co-operate in reaching family decisions. They have common goals and aim to ensure family harmony, while they have discretion to express their opinions" (Stavrou, Kleanthous, & Anastasiou, 2006: 9). There is also a significant involvement of parent's decision making and role, confirming a tendency toward in-group collectivism. "While parents alone were reported to make the important decisions for the family firm in only three firms (eight percent), they participated actively in decision making, mainly either through the governing board (38 per cent) or by jointly reaching decisions with the successor (28 per cent)" (Stavrou, Kleanthous, & Anastasiou's, 2006: 15).

Third, family businesses may segment their family and friendship relations also in terms of their business functionalism, and confine their loyalties and commitment to only those relations as are relevant for the business. As some friends become business partners, a preference is nowadays given more to meetings and pastime with friends as partners, than with friends as friends, contrary to what happened before. There has been an increasing 'commercialization' of friendship relations. New relations have appeared and only those which present a concrete interest from the point of support and development of business have been absorbed" (Barkhatova, 2006: 8). Other factors may also play in fragmenting the group cohesion. Thus, in Siberian cases, we find that, "in the companies, established by women, there is apparent competition for leadership, initiated by ambitions of husbands 'to take business in own hands'" (Barkhatova, 2006: 10). Still, in general, family business owners/ managers stress the importance of not competing successors against one another. This is probably an unwritten policy more so in family businesses as the relationships do not stop at the company's doors.

Gender Egalitarianism

Gender egalitarianism refers to gender role overlap and the extent of opportunities given for entry, advancement, and recognition to women. In Eastern European family businesses, one finds significant struggle to achieve high levels of gender egalitarianism.

First, women in family businesses tend to be given roles that are less challenging as leaders, and that are supportive, rather than leadership oriented. Barkhatova (2006) observes that in the typical Siberian family businesses, one sees the "husband as the leader and the wife as the accountant/manager" (Barkhatova, 2006: 9). Although the role as manager appears to place the wife on an even playing field with her husband, the mere fact he is the "leader" denotes low gender egalitarianism. An even in cases where the wife is the leader and the husband in the accountant/manager role, it is still customary that "husbands as a rule are responsible for 'external' functions of business that is for relations with partners and suppliers. In the companies, established by women, there is apparent competition for leadership, initiated by ambitions of husbands 'to take business in own hands.' Periodically, from time to time men insist on taking a set of main functions such as personnel and finance management. Under actual leadership of wife in business, formal leaders at the companies are their husbands" (Barkhatova, 2006: 10). Therefore, even if there is perceived equality; it is a mere formality than an actuality. Similarly, we see a masculine culture in Cyprus, where "most local business is run by men" (Konis, 8) with no mention of women and their role in society, or the family business.

Second, education plays an important role in the assumption of leadership positions by women in family businesses – going beyond the default case of lack of male successors. In a study of female-owned family businesses in Greece, woman is either starting the business, or taking on the successor role in practice and not as a figurehead. Here, it is worth noting that "the level of education of female self started entrepreneurs appears to be quite high opposed to the female family business successors, the majority of which (68.4 per cent in 2000 and 57.8 per cent in 2002), had completed elementary and secondary education (technical schools in fields related to the family business activity)" (Sarri & Trichopoulou, 2006: 11).

Third, societal sensitivity to gendering does filter into the gendered culture of family businesses. In Greece, for instance, while "family influence [does]… affect[s] the decision of women to start up a family business," there is no evidence "that barriers and obstacles exist…prohibiting women who have no family connections with entrepreneurship to start up small business activity" (Sarri & Trichopoulou, 2006: 12). Further, "the Greek economy does not have considerable and decisive partitions in the business continuation (from parents to their children) or career change, and from this point it is regarded as a relatively "open society" (Sarri & Trichopoulou, 2006: 12). Similarly, in Lithuania, women in family businesses may play roles as sole owner/leader, partner to spouse, or managerial/accountant role. Yet, all these roles are identified as, and actually are, integral part in running the day-to-day business and in key decision-making. For instance, Dyer and Mortensen (2005: 9), report with respect to one of the family businesses, "Yuri identifies his business as a family firm, inasmuch as his wife and his mother-in-law are the key decision makers."

Future Orientation

Future orientation refers to planning, investing, saving, and visualizing futuristically, and delaying gratification and consumption. In Eastern Europe, the family firms tend to find it difficult to plan for the future, as they are more concerned with their short-term survival and growth in a transitional environment. Because resources in terms of money, human and knowledge capital are very scarce, planning for the future gives way to daily survival of the family business.

First, families that experienced nationalization of their businesses during the communist times tend to be less interested in sustainability. Thus, in Slovenia, "some 'old' family businesses reappeared as part of the restitution of previously nationalized enterprises. These were mostly focused on harvesting the accumulated wealth and not on long-term business growth" (Vadnjal & Glas, 2006: 2). Because such family business owners have unpleasant family memories of nationalization, instant gratification is sought, rather than a sustainable enterprise to provide income and wealth for generations to come.

Second, concern with the group aspect of family business may contain future orientation of the family businesses. Thus, on the island of Cyprus, we also see a trade-off between near future survival and growth of the family business, with a greater emphasis on family at the cost of business. "Due to family orientation, they appear to be more conscious of survival, kinship harmony and employment opportunities than they are for profitability" (Konis, 2006: 16). Indeed, this constant battle between family and business may threaten survival in the ever-evolving global market place. As Konis (2006: 16) observes, "Family (oriented) businesses are predominantly susceptible when having to deal with the speed of economic, industrial and competitive change. The strong social ties that previously sustained, and even contributed to the growth of such firms, become stifling factors that slow down the company in environments where the rate of external change has increased. According to the Cypriot entrepreneurs, this is exactly the difficult predicament they are now finding themselves in, which is endangering their very survival."

Third, concern with the cross-generational sustainability of family business tends to support future orientation. Duh's (2006) research in Slovenia shows that "the majority of family enterprises will continue to exist and develop as a family enterprise – such enterprises present in the sample 81.7 per cent; only 18.3 per cent of family enterprises in the sample did not consider whether or not their enterprises would continue to exist as a family enterprise" (Duh, 2006: 12). When surveyed, family firms ranked, in order of importance, future goals and plans for their family business and the most important future goal was to pass the business opportunity on to children. Furthermore, in order to sustain, the owner/manager of the family firm stressed the importance of reinvesting the profit for development of the firm, rather than instant family wealth (Duh, 2006: 13). A majority of these owner/managers (84 per cent) had a vision for their enterprise, if not an actual planned development model.

Note that future orientation is not necessarily same as a formal business planning; above conditions instead play a more important role. In Dyer and Mortensen's (2006) study, only one in three family businesses had a formal business plan. In this firm, Nadia, her husband, her brother and her son ran a women's accessories firm and in sharp "contrast to the other five firms we studied, Nadia does carry out some formal business planning. She and her accountant meet each day after work to analyze sales data, determine what is selling, and identify problems. They use this information to develop marketing strategies and plan for the future" (Dyer & Mortensen, 2006: 11). Yet, even in other firms, future orientation was evident. For example, in Firm five, Johan and Tanya ran a family business, and although they lacked a formal business plan, "they meet regularly to discuss the problems in both businesses and make plans for the future. The founders would like to eventually turn these businesses over to their children" (Dyer & Mortensen, 2006: 13).

Performance Orientation

Performance orientation refers to the concern with recognizing, rewarding, and celebrating the diverse form of performance and contributions of people. The Eastern European family businesses appear to be drifting towards greater performance orientation, with the development of the market-based economy in the region.

First, the new generation – with new ideas for growth — tends to bring greater sense of performance orientation to the family businesses. In Slovenia, thus, one finds "significantly bigger enthusiasm of higher generation business for growth potential may be interpreted as confirmation of the proposition that higher generation entrepreneurs are more growth oriented than founders" (Vadnjal & Glas, 2006: 14). However, at the same time, performance orientation of the family businesses is moderated by substantial inter-generational differences in the significance of growth (Vadnjal & Glas, 2006).

Second, the biggest challenge to performance orientation is situated in the issue of estate planning. In Slovenia, for instance, "for family businesses, there is the highly emotional issue of the distribution of shares – to whom, how many, and when. It is a particularly sensitive issue when it comes to whether the children should hold stakes in the company while the parents are still alive and active (Vadnjal & Glas, 2006: 12). The ownership dilemma of shares, and how they are distributed is "a compromise on the question of whether non-active children should still receive shares: the answer could be affirmative but the shares could differ between active and non-active children following the idea that active children could be remunerated through shares, not just salaries and profit-sharing" (Vadnjal & Glas, 2006: 12). The broader question is should all members of the family (employees and non-employees) reap the benefits of the family business? If so, how?

Third, opening of the family business to professional management can be an important transition point for a shift towards a culture of greater performance orientation. In the Cypriot society, Konis (2006) reports an underlying shift toward a meritocratic family business, consistent with greater professionalism. The focus is on "meritocracy in contrast to nepotism, more organization and planning, less emotion" (Konis, 2006: 18).

Humane Orientation

Humane orientation refers to a concern for tolerating mistakes, being caring, warm, kind, and supportive towards other people in the society. The Eastern European family businesses appear to be quite sensitive to humane orientation.

First, humane orientation inherent in family businesses may result in greater reliance on informal approaches, that allow greater sympathy and generosity, though not necessarily support business development. Thus, Spanos, Tsipouri and Xanthakis (2006) report Greek family business: "not having appropriate risk management systems; not following appropriate norms of company board structure and management (e.g. directors' independence, board committees' establishment, CFO position); …confusing family matters and business matters and so on" (Spanos, Tsipouri & Xanthakis, 2006: 12).

Second, family businesses may have heightened sense of issues that concern people around them. In Pirvoda and Hoy's (2006) EcoPurify study in Czech Republic, the business of wastewater treatment originated from the concern for the state of environment. The two brothers were challenged by their father to "find solutions to the environmental problems caused by advances in science and industry, [and] this challenge influenced subsequent education and career choices made by the brothers" (Pivoda & Hoy, 2006: 1). The same challenge then became the basis for one of the brothers encapsulating his son into the business, as a family commitment to the cause.

Third, family businesses play an important humane oriented role as members of their local communities. The family businesses in different Eastern European studies play an important role in their local communities, especially in smaller nations and towns, such as Cyprus.

Assertiveness

Assertiveness refers to inter-personal communication effectiveness, political engagement, perseverance, and commitment to secure what one is worth. The Eastern European family businesses appear to have a fairly strong sense of assertiveness to overcome the environmental complexities and challenges.

First, family businesses show fairly high levels of resilience and efforts to fight the adversities, especially in unfavorable and non-supportive situations. In Pirvoda and Hoy's (2006) case study on EcoPurify in the Czech Republic, we revisit the passion of the twin brothers for the science and technology of their water purification system. These two pioneers, or go-getters, show their assertiveness throughout the case, whether it be the circumvention of communist laws to develop, test and promote their product, or the tenacity to see their dream come to fruition, "after almost 40 years, the Manuses' ambitions were becoming a reality. They wanted to disseminate their technology throughout the world and to apply it to the most extensive ecological projects" (Pivoda & Hoy, 2006: 6).

Second, first generation entrepreneurs tend to have particularly strong sense of assertiveness, given the limitations of their resources. In their study of women-owned family businesses in Greece, Sarri and Trichopoulou (2006) illustrate a motivation based on high self-confidence and esteem of the first generation female entrepreneurs. "New self-starting female entrepreneurs in Greece seem to be motivated to entrepreneurship mainly from pull factors that refer to economic reasons, self-fulfillment including the needs for creativity, autonomy and independence" (Sarri & Trichopoulou, 2006: 17).

Third, marginalized groups also tend to have a strong sense of assertiveness in their family businesses, particularly in adverse and resource deficient situations. In the Barkhatova's (2006) Siberian cases, for example, because of the very nature of the illegal, or "grey" businesses set up, we see family businesses that are assertive in their motivation to produce and market goods to Siberian society. However, where the situation is not as adverse, the family businesses may take the path of least resistance for survival.

Discussion of the Findings

The GLOBE program shows that the societal practices in the Eastern European region is low on performance orientation and uncertainty avoidance, but high on assertiveness, in-group collectivism, and gender egalitarianism (House et al, 2004). They are moderate on the other four dimensions – institutional collectivism, future orientation, humane orientation, and power distance (House et al, 2004). Moreover, the region puts a high value on uncertainty avoidance, and a low value on institutional collectivism.

The key findings with respect to the family business culture in the Eastern Europe are summarized in Table 2. The culture of family businesses in the Eastern Europe appears to be characterized by a high degree of In-group collectivism, assertiveness, and humane orientation. Uncertainty avoidance and institutional collectivism appears to be low. The other four dimensions are moderate – performance orientation, gender egalitarianism, future orientation, and power distance.

The family business culture thus appears to mirror the societal culture practices, with a few exceptions. First, family businesses in the region have a stronger sense of performance orientation than that prevalent in the region's society. Our findings suggest that new generation of successors, as well as professional role models, are supporting a greater sense of performance orientation in the cluster's family businesses. However, an appropriate approach to estate management that appropriately rewards the active members of the family, and other constituencies involved in the family business, remains a challenge.

Second, family businesses in the region also appear to have a strong sense of humane orientation. This humane orientation manifests itself in the use of informal approaches, and heightened sense of membership in the local community and of the issues of significance to the local community.

Third, family businesses in the region appear to have a more moderate sense of gender egalitarianism, than that practiced in the region's societal culture. Though the region's gender sensitivity does filter into the culture of family businesses, yet women are often given supporting roles considered of less relevance and are protected from more challenging assignments even as leaders. Education of women, however, may be changing these attitudes.

Fourth, family businesses in the region appear to have a weaker sense of institutional collectivism, which is consistent with the low value on institutional collectivism placed in these societies. Though these businesses show a tendency to co-opt the government as partners, yet they also try to circumvent rules to further their own private interests. Collective interests are deemed less important in a societal context where trust is breaking down in the transitional environment.

Despite these differences, there is evidence that the family business cultures are founded in the broader culture of the region and the societies. For instance, a low uncertainty avoidance culture may be associated with the erosion of knowledge experienced by the family businesses. Also, given greater use of informal approaches and family's emotional reservoir, the family businesses in the region under-estimate the need for technology-enhanced corporate governance, planning, and control. However, such lack of uncertainty avoidance may not be conducive to performance. At the societal level also, these societies aspire for high levels of uncertainty avoidance, rejecting the low levels of their current practices.

Table 2: Family Business Culture in Eastern Europe and Influence Factors

Power Distance (moderate)

- *preference for a single leader at the top.*
- *in volatile and hostile environments, there is a tendency to embrace a more shared leadership model.*
- *performance-driven role models also inspire the family businesses to move from 'ascribed' power models to more 'earned' power models*

Uncertainty Avoidance (low)

- *erosion of their idiosyncratic knowledge and the knowledge gaps contribute to significant uncertainty among family businesses.*

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- *the family firms tend to under-estimate the need for technology enhanced corporate governance, thereby subjecting their practices to high uncertainty.*
- *the family firms tend to rely on the emotional reservoir of their family and family relationships to survive, resolve, and manage the uncertainties.*

Institutional Collectivism (low)

- *the family firms find it difficult to navigate by following the rules of their governments in low trust contexts.*
- *the family firms often strive to invent alternative rules for accommodating government interests.*
- *the family firms may also delicately balance their desire to be freed from government rules, with their desire to coopt government as a key ally and partner in their game-play with broader sets of constituencies.*

In-group Collectivism (high)

- *family businesses tend to subscribe to the concept that family members contribute more than what is measurable in terms of their formal roles, positions, and contributions.*
- *family businesses actively seek contributions from their family members, that may or may not be captured just in terms of the formal roles.*
- *family businesses may segment their family and friendship relations also in terms of their business functionalism, and confine their loyalties and commitment to only those relations as are relevant for the business.*

Gender Egalitarianism (moderate)

- *women in family businesses tend to be given roles that are less challenging as leaders, and that are supportive, rather than leadership oriented.*
- *education plays an important role in the assumption of leadership positions by women in family businesses – going beyond the default case of lack of male successors.*
- *societal sensitivity to gendering does filter into the gendered culture of family businesses.*

Future Orientation (moderate)

- *families that experienced nationalization of their businesses during the communist times tend to be less interested in sustainability.*
- *concern with the group aspect of family business may contain future orientation of the family businesses.*
- *concern with the cross-generational sustainability of family business tends to support future orientation.*

Performance Orientation (moderate)

- *the new generation – with new ideas for growth – tends to bring greater sense of performance orientation to the family businesses.*
- *the biggest challenge to performance orientation is situated in the issue of estate planning.*

- *opening of the family business to professional management can be an important transition point for a shift towards a culture of greater performance orientation.*

Humane Orientation (high)

- *humane orientation inherent in family businesses may result in greater reliance on informal approaches, that allow greater sympathy and generosity, though not necessarily support business development.*
- *family businesses may have heightened sense of issues that concern people around them.*
- *family businesses play an important humane oriented role as members of their local communities.*

Assertiveness (high)

- *family businesses show fairly high levels of resilience and efforts to fight the adversities, especially in unfavorable and non-supportive situations.*
- *first generation entrepreneurs tend to have particularly strong sense of assertiveness, given the limitations of their resources.*
- *marginalized groups also tend to have a strong sense of assertiveness in their family businesses, particularly in adverse and resource deficient situations.*

Conclusions

In this paper, we investigated if the family businesses have a distinct form of culture, and if this culture is associated with the regions to which these family businesses belong. We reviewed a set of ten articles on the family businesses in different societies of Eastern Europe, using nine GLOBE cultural dimensions. Our findings revealed the distinctive culture of the family businesses, and the factors influencing these cultural orientations as well as diversity among the family businesses. A comparison with the culture of the region indicates significant parallels between regional culture and family business culture. This suggests that cultures of the family business may be significantly influenced by the regions from where they emanate.

The findings do provide pointers for further research. A limitation of our research is a focus only on a single region – Eastern Europe. Studies in other regions are required to identify differences in family business cultures, as a function of the regional cultures. Also, the findings are based on a sample of ten articles. Further studies are required to validate the findings reported here. It will also be useful to use frameworks other than GLOBE to assess the cultural orientation of the family businesses and of the regions. Moreover, a qualitative approach was used here to assess the culture of the family businesses. Use of survey-based and other more direct measures would be advisable to quantify the similarities and differences in the cultures of different family businesses, and to evaluate the common denominator attributable to the regional-effect.

The core managerial implication of our findings is that the family businesses cultures are influenced by their regional culture, but are not necessarily determined by the regional cultures. It would be a mistake to consider family business cultures as homogeneous – either at a global level, or at the regional level. Several factors may influence the cultures of family businesses, which may generate heterogeneity amongst family business cultures even within specific regions. Yet, understanding of the regional culture and its influence on the family business culture can help clarify the differentiated roots of the competitive advantage of different family businesses.

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