

# Chapter 18

## The Role of Awareness in Designing Human Resources Management Practices in Family Firms: A Configurational Model

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### ABSTRACT

*The chapter aims to develop a theoretical configurational model of HRM practices for family firms based on the construct of awareness. The typology of ideal HRM practices configurations the authors developed grounds on are 1) two organizational factors (awareness of the internal and external environment and organizational awareness) and 2) two dimensions of organizational awareness (the need for explicit and implicit coordination mechanisms). The first dimension refers to the need for mechanisms explicitly adopted by a family firm to manage task or communication interdependencies. The second one relates to those requirements for mechanisms that are available to family firms from shared cognition, which enable them to explain and anticipate task statuses and individuals' collaborative behaviors, thus helping them in managing task interdependencies. The authors combined these results in four configurations of HRM practices (administrative, shared, professional, and integrated configurations) and developed seven propositions.*

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## INTRODUCTION

Managing people in organizations asks for a bundle of practices/policies, called Human resources management (HRM) systems (Ulrich et al., 2013), that influences competencies, behaviors, and performances of employees (Noe et al., 2010). Consequently, in generating and maintaining a sustainable competitive advantage, the HR function may perform a strategic role (Zakaria, 2011; Karami et al., 2008). Nonetheless, only recently, the managerial practice and scientific literature recognized the role of the HR function in the strategic management of organizations, coping with growing pressure from both internal and external environmental dimensions.

The recognition of the strategic role of the HR function implies a shift from a deterministic and mechanical approach to the study of organizations to a more psychological and organic one. Huselid (1995), proving a significant relationship between the sophistication of HR practices and the market value per employee, played a critical role in this recognition process. Afterward, scholars developed a considerable bulk of studies to promote the test of positive relationships between HRM and performance (Almajali et al., 2016; Alfes et al., 2013; Buller & McEvoy, 2012).

Literature gives prominence on the influence of different sets of HRM practices, e.g., recruitment and selection, compensation, performance appraisal, training and development, workforce planning, career planning management, job design, and internal communication, on a likewise varied collection of performance outcomes (Combs et al., 2006). Accordingly, a firm should coherently shape its own HRM system to warrant a long-term survival. Family firms do not make any exception to such considerations valid for any organization. By the way, the family business literature on HRM mainly focuses on the formality and informality of specific practices, exploring the possible advantage of adopting different practices in family firms (Reid et al., 2002).

For instance, family firms appear adopting less sophisticated HRM practices (HRMP) than those of non-family firms (De Kok et al., 2006). Nevertheless, literature has recognized some gaps (e.g., Reid et al., 2002) and theory enrichment from time to time fails in agreeing the required settings for allowing validity to the supposed relationships between constructs/variables (Bacharach, 1989). Hence, it seems that it is the right time for the structuring of the prevalent schemata adopted (Ferraro & Marrone, 2016; Gersick, 2015; Le Breton-Miller & Miller, 2014; Botero & Litchfield, 2013; Berrone et al., 2012; Stewart & Hitt, 2012).

The chapter presents a model for building HRMP configurations in family firms grounded on the construct of awareness that family businesses need to make strategic and organizational choices to achieve positive performances. How do they shape their human resources to endure their performance? The chapter tries to address such a question, and it concerns whether and how HRMP complement each other in family firms' performance in facing strategic and organizational changes.

HRMP needs to fit environmental dimensions (Huselid, 1995). Saridakis et al. (2017) find that a bundle of integrated, mutually reinforcing HRMP has a stronger influence on firm performance than HRMP individually. The already cited bulk of the research investigated relationships between HRM and performance (Batt, 2002; Guthrie, 2001; Huselid, 1995) and between HRM and a sustainable competitive advantage (Othman, 2009; Gooderham et al., 2006; Wright et al., 2005; Collins & Clark, 2003; Guest et al., 2003; Huselid, 1995). Outcomes recommend considerable benefits from managing human resources, while several interrogations remain unanswered (Delery, 1998).

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